

SEPTEMBER, 1919

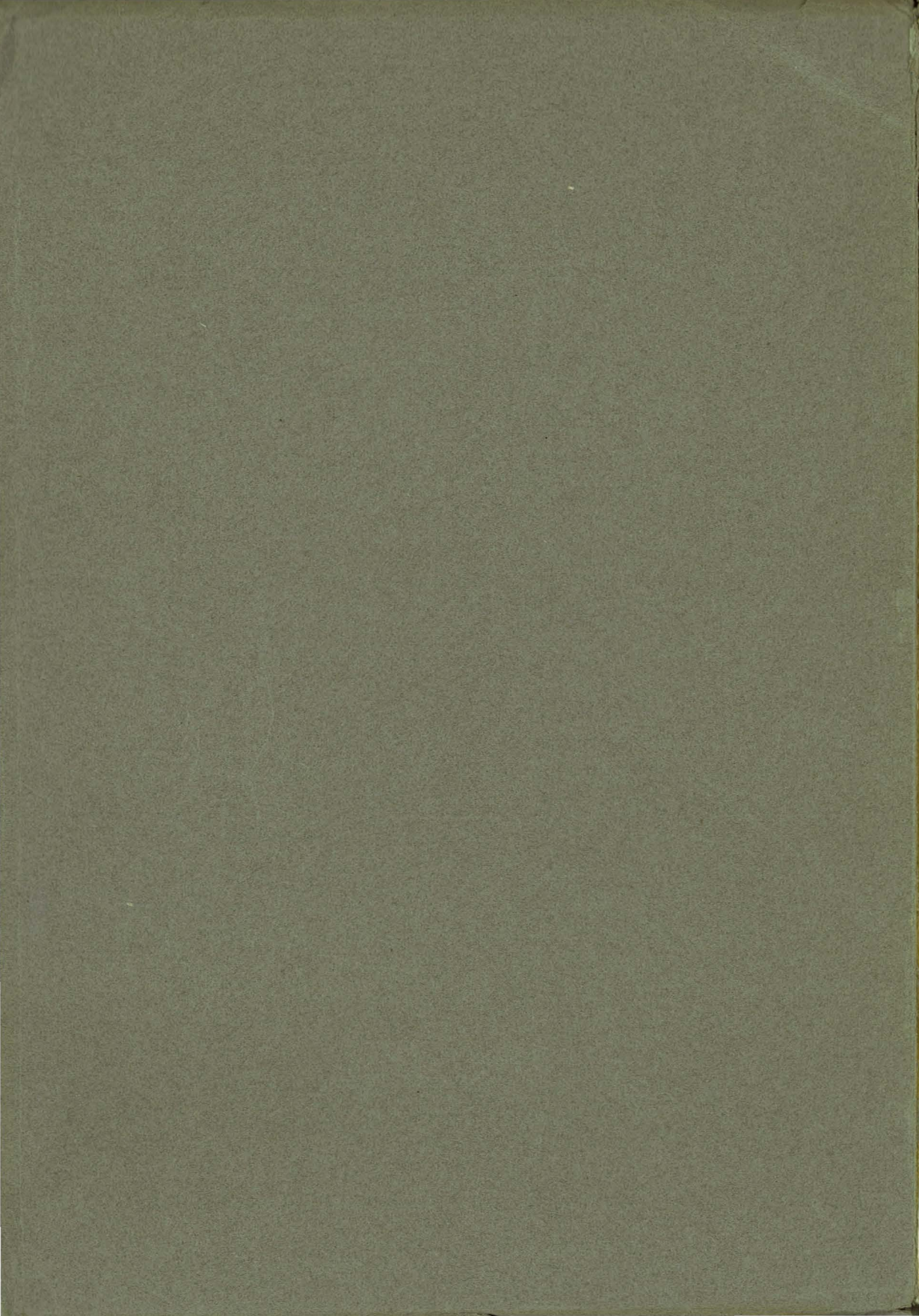
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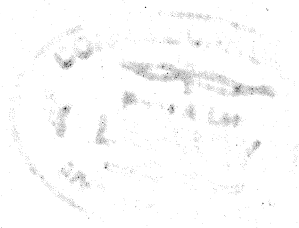
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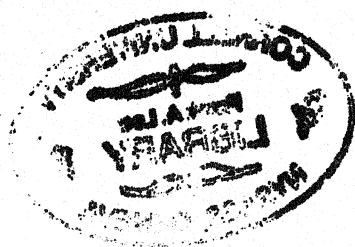
COOPERATIVE MARKETING
IN THE CHAUTAUQUA-ERIE GRAPE INDUSTRY

H. D. PHILLIPS

ITHACA, NEW YORK
PUBLISHED BY THE UNIVERSITY







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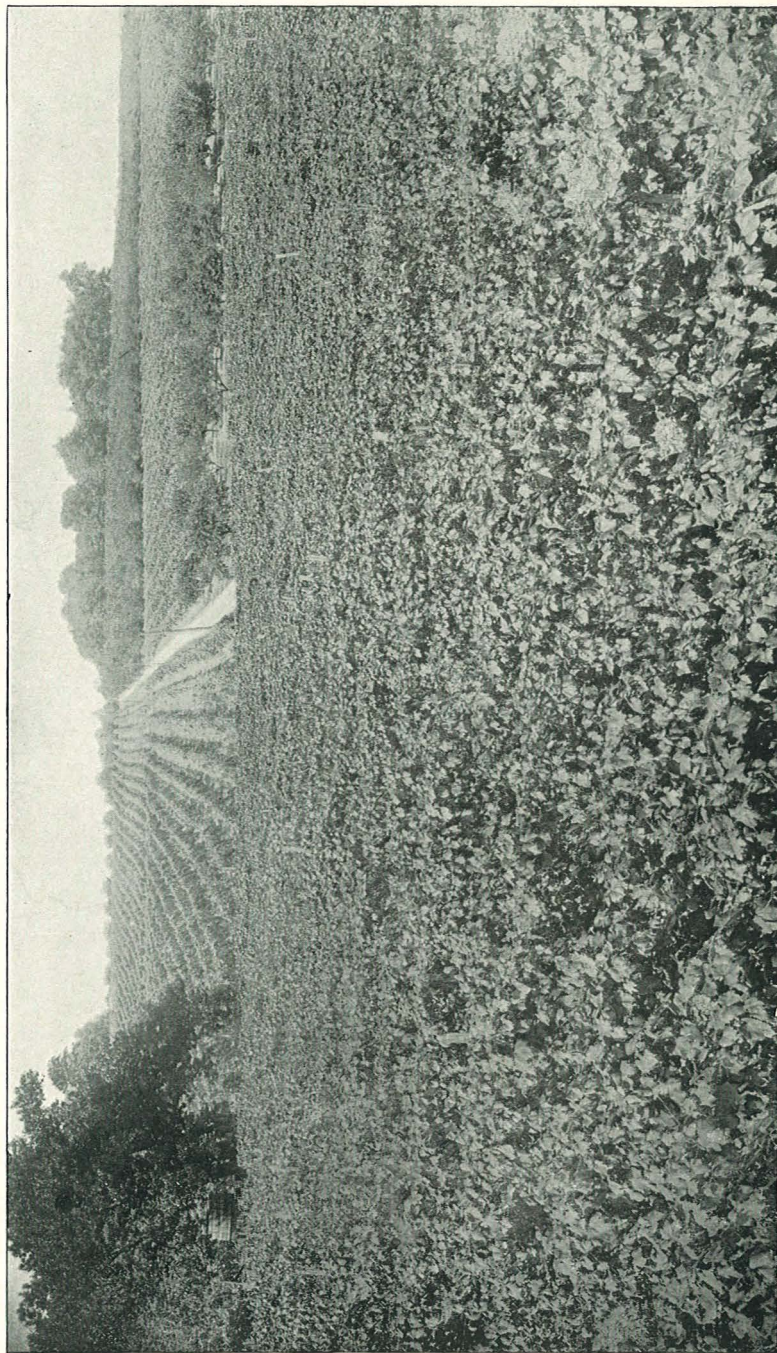


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**COOPERATIVE MARKETING
IN THE CHAUTAUQUA-ERIE GRAPE INDUSTRY**



A VINEYARD VISTA IN THE CHAUTAUQUA-ERIE GRAPE BELT

COOPERATIVE MARKETING IN THE CHAUTAUQUA-ERIE GRAPE INDUSTRY

H. D. PHILLIPS

Many attempts have been made in New York State to market farm products by cooperative methods, but as a rule such efforts have not met with any great success. Some of the most noteworthy of these trials of the cooperative principle have taken place in the western part of the State, in the region commonly known as the Chautauqua-Erie grape belt. This area is remarkable not only for the large and ambitious scope of some of its attempted organizations, but also because of the way in which the cooperative idea has persisted in spite of repeated failures, resulting in a long succession of such associations extending over a period of thirty years or more.

The pioneer marketing organization in the Chautauqua-Erie region was formed as early as 1885. Since that date there have been more than fifteen other farmers' companies which at one time or another have been engaged in shipping grapes or other perishable products out of the area. These companies have varied widely in size and scope, in plan of operation, and in the success which they have achieved. But the majority either have failed completely or have been disbanded after a few seasons of operation. At the present time there remain four such associations in operation, none of which now exercise the complete control of the grape trade attained by some of their predecessors.

This long and varied experience of the Chautauqua-Erie region makes its marketing history peculiarly worthy of study, because of the information

AUTHOR'S ACKNOWLEDGMENTS. The writer wishes to acknowledge his special indebtedness to Professor G. N. Lauman, of the Department of Rural Economy at Cornell University, under whose direction this study was carried out; and to D. K. Falvay, President of the Lake Erie Fruit Growers Association, and J. A. McGinnies, Secretary-Treasurer of the Chautauqua and Erie Grape Company, for valuable assistance and suggestions. Acknowledgment is due also to the editors of the *Grape Belt*, whose valuable work in publishing statistics relative to the grape industry is noted elsewhere. Lastly, the writer wishes to pay tribute to the memory of the late J. M. Wethy (1847-1914), of Ripley, New York, pioneer co-operator and for many years the guiding spirit of the largest of the marketing organizations, and to the late S. S. Crissey (1833-1911), of Fredonia, New York, editor and horticulturist. The service of these two men to the grape industry was a very valuable one, and it was mainly their care in preserving valuable historical material which has made possible the record here given of the earlier days of the grape business of the Chautauqua-Erie region.

which it gives concerning the numerous pitfalls and practical difficulties encountered in attempting to apply cooperative principles, and because of the light thus cast on the whole complex subject of marketing through producers' organizations.

Recent important changes in the grape industry itself, the passage of prohibition legislation, and the possible effect of other pending legislation, all have combined to turn the attention of the grape growers at the present time to the problem of rearranging their marketing methods to meet changed conditions. It is the aim of this bulletin to set forth in considerable detail the record of past experiences as a guide to the future, to point out certain peculiarities in the handling of grapes as a crop which complicate the marketing problem, and to discover and record such basic changes in the industry itself as have affected the marketing organizations.

For convenience in treatment, the material presented is divided into two parts. Part I deals with certain general aspects of the grape industry, a background without which the history of the marketing organizations cannot be fully understood. Part II records in detail the history of the various associations that have been formed. The data on which the work is based have been gathered from a careful reading of the files of the local papers published in the region,¹ from inspection of the records and books of the various associations and of several independent shippers, and from personal interviews and correspondence with persons prominent in the grape industry.

¹ The newspaper files used are as follows: the *Fredonia Censor*; the *Brocton Mirror*; the *Westfield Republican*; the *North East Sun*; the *North East Breeze*; three papers whose publication was discontinued at an early date — the *Chautauqua Farmer*, the *Jamestown Sun and Standard*, and the *Chautauqua Grapevine*; and last, and most important as a source of information, the *Grape Belt*, a semi-weekly paper published at Dunkirk, New York. The last-mentioned paper was started at Brocton, New York, in 1892, during the great boom period in the grape industry. Since its beginning its columns have been the recognized forum for discussion among the grape growers. It has also published each year, except in 1897 and 1910, a summary of the grape crop showing the total shipments of grapes in car lots, the quantity of fruit used locally for wine and unfermented grape juice, and the estimated total production and value of the season's crop. Unless otherwise indicated in the text, these annual summaries are the source of the data given in regard to these points. For the period between 1892 and 1900, the accuracy of the figures published by the *Grape Belt* is somewhat open to question. Since the latter date the summary has been based on confidential reports furnished by the various railroads, the marketing associations, the wine and juice makers, and certain independent shippers. For this period the information has been carefully and painstakingly gathered. Though the reports are not strictly comparable from year to year because of the practice of giving total production in car lots instead of in tons, they represent in general a fairly accurate record of the grape business. In the various computations necessary in arriving at the total production it has been the common practice of the *Grape Belt* to consider 10.5 tons of fruit equivalent to a car lot. In certain years when local shipments in cars to the unfermented-juice factories have been heavy, 11 tons to a car has been the transfer figure used for this part of the total.

PART I—THE GRAPE INDUSTRY

LOCATION AND TOPOGRAPHY OF THE REGION

The Chautauqua-Erie grape belt (fig. 1) is a narrow elongated strip of territory bordering on the southern shore of Lake Erie and extending from the town of Derby, New York, on the east to the town of Harbor-creek, Pennsylvania, on the west. Its extreme length is approximately sixty-five miles. In width the area varies from two to five miles.

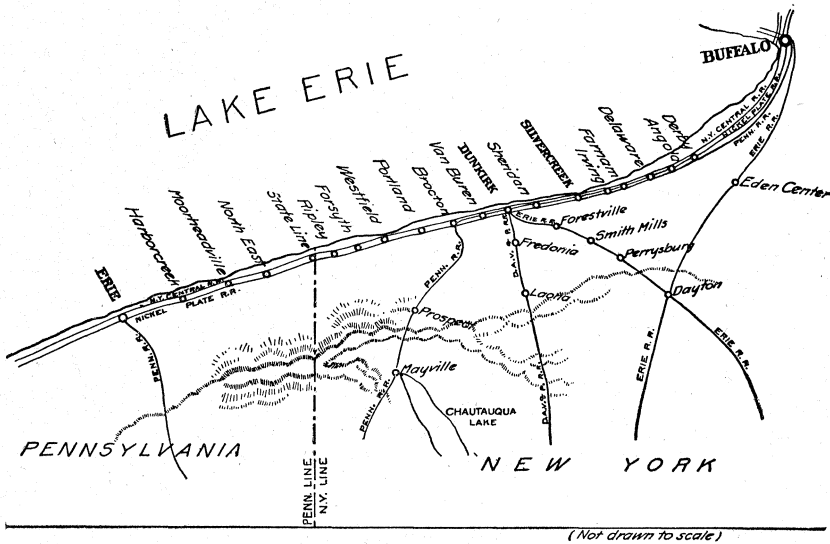


FIG. 1. THE CHAUTAUQUA-ERIE GRAPE BELT

The unusual railroad facilities of the region and the more important towns and loading stations are shown in detail. The grape plantings are confined to the narrow strip of land lying between the crest of the hills and the lake. Where the hills recede from the lake at the eastern and western ends of the belt, the vineyard area ceases.

The major part of this highly specialized grape district lies in New York State, with its eastern extremity touching the counties of Cattaraugus and Erie, and extending thence westward across Chautauqua County to the Pennsylvania state line. The western end of the belt reaches into Erie County, Pennsylvania, for a distance of about fifteen miles. More than two-thirds of the total vineyard area is found in Chautauqua County.

The grape plantings are confined to a sloping, terraced plain which lies between the lake and an escarpment of hills bordering the latter on the

south. The lake moderates the climate, while the slope from the hills insures adequate ground and air drainage, a combination ideally suited to the cultivation of the grape.

TRANSPORTATION AND MARKETS

Nearness to markets and good transportation facilities have been powerful factors in making the region an important center for the

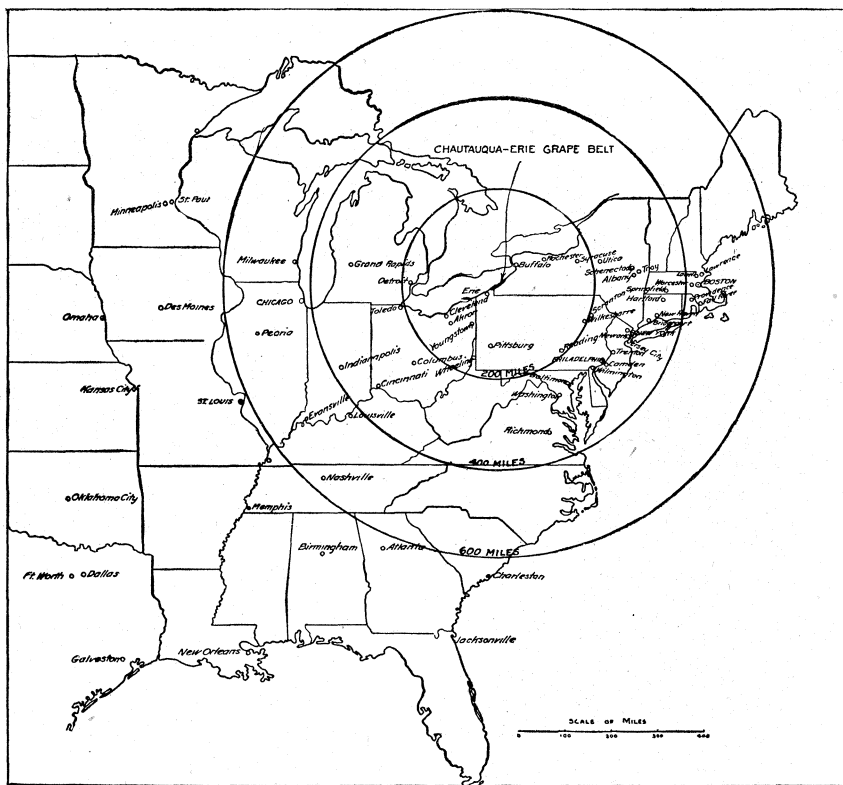


FIG. 2. LOCATION IN RESPECT TO MARKETS

The nearness of the Chautauqua-Erie region to the important eastern and middle-western centers of population is shown

production of perishable farm products of all sorts. Within a five-hundred-mile radius are located practically all the important eastern

and middle-western population centers of the country (fig. 2). To these markets easy access is afforded by means of five railroads which cross the district at one point or another. Two important trunk lines, the New York Central and the Nickel Plate, traverse the whole length of the region from east to west. A third road, a branch of the Pennsylvania System, extends from the eastern end half the length of the grape belt and then bends away from the lake to the south. The Dunkirk, Allegheny Valley, and Pittsburg, and the Allegheny Division of the Erie Railroad, both have their northern terminals in the region, thus furnishing a still further outlet for shipments to the southward. In all there are about forty loading stations in the area from which grapes are ordinarily shipped in carload quantities.

This unusual accessibility to markets has been an important advantage to the Chautauqua-Erie grape industry as a whole, but it has hindered rather than helped the attempts to market the crop through farmers' associations. Many of the larger growers find it possible to carry on small-scale shipping operations for themselves. Shipments in even less than car lots are often feasible to some of the nearest cities. Furthermore, this nearness to market affords entrance to numberless outside buyers and shippers, especially when there is a brisk demand for grapes. The result of all this is a real lessening of the acuteness of the marketing problem in normal years, so that an association finds it difficult to maintain its membership and support.

DECENTRALIZATION OF THE INDUSTRY

Throughout almost the entire history of the grape industry there has existed a certain lack of unity in the region, which has played an important part in the efforts to combine for marketing purposes. There is no compact grouping of the grape plantings about any one common center. Scattered as they are throughout the entire length of a narrow sixty-five-mile strip, there is no one point which is the acknowledged capital of the industry. There are, instead, a number of towns of nearly equal importance in the grape trade, each with its own leaders, each controlling a considerable area of adjacent territory, and some of them shipping over railroads which do not reach other parts of the belt.

Jealousies among these various towns, and often a very real conflict of interests, have had a powerful effect in blocking the formation of some

of the larger marketing organizations which have been proposed, or have aided in disrupting them after they have been formed. Differences in the care given to the vineyards in different parts of the belt, the presence of certain insect pests at some points, and natural variations in soil conditions, all have contributed to an unwillingness on the part of the growers in some places to pool their marketing with the remainder of the belt through a central association. On the other hand, the community of interest and the able local leadership in some of these diverse centers have made possible the persistence of small local associations over considerable periods.

In the early days of the industry, meetings held during the winters by a flourishing organization, the Chautauqua Horticultural Society, served greatly in promoting acquaintance and understanding among the separated parts of the area. This society died out, however, in the middle nineties, and its valuable influence was thus lost. In more recent years another organization of a similar sort, the Chautauqua and Lake Erie Fruit Growers' Association, has been formed and has aided greatly in once more unifying the industry. But in general the widespread dispersion of the grape belt has created one of the important difficulties in its organizing for marketing purposes.

PRESENT MAGNITUDE OF THE GRAPE BUSINESS

For a period of many years this area, with its great natural advantages, has held the distinction of being the largest and most important grape-growing center in the United States, so far as the production of the native American type of grape is concerned.² According to the Thirteenth United States Census, there was in 1909, in the four counties which the restricted area known as the grape belt partly covers, a total of 21,340,548 bearing and non-bearing vines. At the planting distance commonly used in the region, this is equivalent to approximately 35,500 acres of grapes. The census figures, however, include some scattered plantings beyond the limits of the grape belt proper. A recently published estimate³ has placed the acreage at 37,000, but in the light of the census figures, and because there has been no great increase in the plantings in recent years, it is certain that this latter figure is too high.

² The grapes grown in California are almost entirely of the *Vinifera*, or European, type.

³ The fruit industry in New York State, page 644. New York State Dept. Agr. Bul. 79. 1916.

The average production of this area for the last twenty years has been about 6000 carloads of grapes, or approximately 63,000 tons of grapes, a year. The annual value of the crop during the same period has been esti-

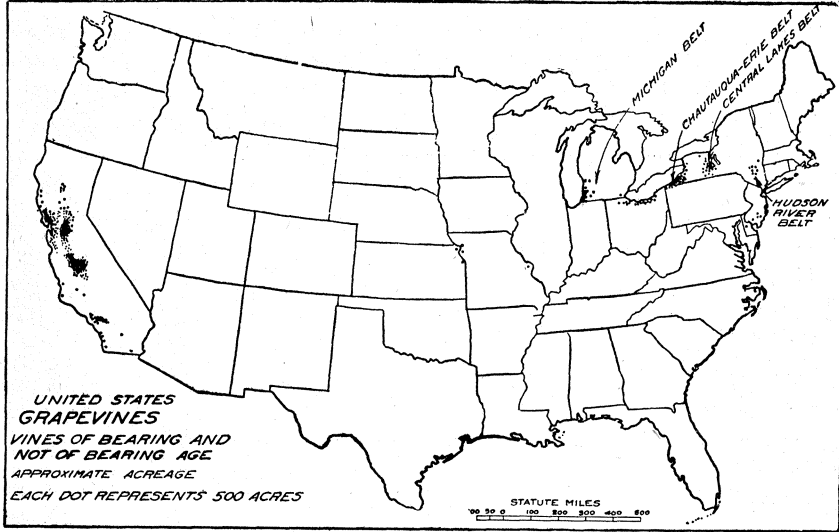


FIG. 3. GRAPE REGIONS OF THE UNITED STATES

The map shows the acreage of bearing and non-bearing grapevines in the United States according to the Thirteenth Census. The grapes raised in California are almost entirely of the *Vinifera*, or European, type. Native American grapes are raised in the other important centers shown.

mated as varying from one million to two and one-half million dollars. (Table 1.)

It is thus apparent that the grape industry of the Chautauqua-Erie region is one of considerable magnitude. Grapes are a perishable crop and their shipping season is extremely short. For a central marketing organization to handle successfully so large an undertaking as is involved in the selling of any considerable proportion of such a crop, careful organization and planning, and business skill of a high order, are required.

DEVELOPMENT OF THE INDUSTRY

The market demand for the type of grape raised in the Chautauqua-Erie region is of three main sorts: for wine, for eating purposes, and for

making unfermented grape-juice. Small quantities are used also in making grape jelly and marmalade. Each of these three main outlets for the grape crop have been developed in turn in the region, so that its history may be divided roughly into three corresponding periods.

TABLE 1. GRAPE PRODUCTION IN THE CHAUTAUQUA-ERIE BELT FROM 1900 TO 1918

Year	Pro- duction in car lots	Estimated value in dollars
1900.....	7,669	*\$1,200,500
1901.....	7,594	1,659,646
1902.....	5,062	1,694,226
1903.....	2,952	1,100,000
1904.....	7,479	2,150,000
1905.....	5,362	1,776,248
1906.....	5,634	2,482,822
1907.....	5,186	2,400,000
1908.....	4,232	1,640,000
1909.....	7,561	2,085,000
1910.....	*5,700	*2,200,000
1911.....	8,100	2,384,000
1912.....	7,528	2,315,036
1913.....	3,957	2,088,590
1914.....	8,386	2,607,415
1915.....	7,072	2,279,475
1916.....	4,307	2,344,653
1917.....	4,797	2,571,320
1918.....	2,141	2,408,590

* Estimated by the author. All other figures are from the annual crop summaries published in the *Grape Belt*.

Early plantings and local wine making

The first plantings in the area embraced by the present grape belt were made near Brocton, in Chautauqua County, as early as 1818. There followed a long period of experimentation in which many different varieties of grapes were tried but with little success.⁴ It was not until about

⁴ The first plantings were made by Deacon Elijah Fay, who settled in Brocton in 1811. These were of the Fox type, brought from Deacon Fay's former home in Southborough, Massachusetts. They did not thrive. Deacon Fay next tried successively Hamburg, Burgundy, and Sweetwater varieties, with no better results. In 1824 he purchased from William R. Prince, of Flushing, Long Island, some Catawba and Isabella roots, and these did well enough so that he increased his plantings and in 1830 made his first wine. A few small vineyards were now started by his neighbors, among whom were a certain Elder La Hatt, who planted one-eighth of an acre in 1830, and E. S. Bartholomew, who set out one-fourth of an acre of vineyard a year or so later. Lincoln Fay, a nephew of the pioneer, began the sale of grape cuttings in 1834 but did not sell many for commercial planting till about 1850. Other early leaders in the industry around Brocton were Joseph Fay, G. E. Ryckman, Jonas Martin, C. R. Crosby, E. H. Fay, and J. Hipwell. The town of North East, in the Pennsylvania end of the present belt, was another center from which the grape plantings spread. Here S. S. Hammond and William Griffith set out a small vineyard of Catawbas and Isabellas in 1852. Other early pioneers in this end of the belt were Calvin Leet and Archibald Duncan at North East, and R. H. Thompson at Westfield.

1850 that the growing of grapes for commercial purposes really began. By that time it had been demonstrated that certain varieties, especially Catawba and Isabella, could be successfully raised. The planting of small vineyards was now begun, with the idea that their product would be made into wine for sale. The main center of these plantings was at Brocton, in the Town of Portland, but a beginning was made also at many different places throughout the length of the present belt.

In 1859 the first wine cellar was built at Brocton and some years later a similar venture was made at North East. Other wine companies followed, and the high prices which they paid for fruit stimulated a great boom in the planting of vineyards. In 1864, as recorded by one of the local papers,⁵ there were 400 acres of grapes in the town of Portland, with some vineyards also at North East and Westfield. At about that date several stock companies were formed to build wine cellars and grow grapes on a considerable scale for wine purposes. These companies were not especially successful, however, and the failure of the wine grapes to withstand the hard winter of 1873-74, which completely destroyed many vineyards, put an end to the hopes for large profits from this phase of the grape business.

The wines made at this early date were of superior quality and necessarily sold at a high price. Though the early hopes of building up an extensive wine business in the region were not realized, wine making has continued as a minor part of the industry up to the present time. During a period of low prices for grapes which existed in the middle and later nineties, the local wine industry showed a considerable recovery, but with the return of higher prices it once more declined. The large immigration from southern Europe in recent years has provided a demand for a cheaper grade of sour wine, and this has aided the wineries to continue in business. In some years of high prices they buy very few grapes. When prices are low they use considerable quantities, thus acting as a needed balance-wheel to the industry.

Rise of the trade in basket grapes

It was with the advent of the Concord grape that the development of the Chautauqua-Erie region was made secure. This variety, which had begun to be planted sparingly during the later fifties, was one of the

⁵ The Fredonia *Censor*, March 11, 1865.

few which uniformly survived the hard winter of 1873-74. As the wine industry declined, small lots of grapes began to be hauled or shipped on consignment to neighboring markets and sold for table use in an effort to find a new outlet for the crop. The Concord, having demonstrated its hardiness, its availability for shipping, and its suitability for eating purposes, soon took the lead in the plantings. At the present time considerably over ninety per cent of all the grapes raised in the region are of this variety.

In 1880 the first venture in loading a full carload of grapes was made at Brocton by a number of growers putting their product together. This carload was sent to Philadelphia on consignment, where it arrived after being eight and one-half days on the road, netting a considerable loss to the shippers. However, a second carload which followed the first proved more successful and demonstrated that the fruit could be successfully sent to more distant markets. From that time on, car-lot shipments increased rapidly. In 1883 a carload was sent to Spokane, Washington, arriving in good condition and selling at a profit. In 1885 a local paper⁶ recorded the shipment of 150 cars from the two stations of Brocton and Portland, 15 cars from Westfield, and about 20 from North East. For the season of 1888 the total crop of the belt was estimated by the same paper to be 10,500 tons, of which 275 tons were used locally for wine making and 700 full cars were shipped out of the area in splint baskets.

The use of refrigeration in the cars, in which a beginning was made in 1888, and the adoption of the convenient Climax basket as the standard package, which came a few years later, mark the launching of the industry on an era of rapid development and expansion, in which its product soon came to be known in all the markets of the country. The United States Census for 1890 places the total production of the belt for that year at 15,065 tons and the value of the crop at \$1,124,550. It also records an acreage of 9180 bearing vines and 1620 not yet in bearing. The shipments for the year are recorded by the local papers as being about 1450 cars.

During the period between 1880 and 1890 the prices received for grapes were often as high as 20 or 30 cents for a 9-pound basket, and the profits of the growers were large. The rapid extension of the plantings which resulted effected a complete change in the type of farming in the region.

⁶ The Fredonia *Censor*, December 2, 1885.

Good grape land sold for from \$300 to \$400 an acre. Many large vineyards of a hundred acres or more were set out; elaborate houses for packing the fruit were built on many of the farms; and doctors, lawyers, and all sorts of persons were caught in the wave of enthusiasm for grape raising, and bought land and set it out in vineyards. This rapid expansion of the industry continued until 1896, but the price received for the fruit declined steadily after 1890. The continued growth of the industry during these years is indicated in figure 5 (page 22).

Decline in basket shipments

The increase in the vineyard plantings was brought to an abrupt halt by the nation-wide industrial depression in the middle nineties. The dependence of the region on the trade in basket grapes proved its undoing. By the consumer who bought them in the city markets these grapes for eating purposes were looked upon as a semi-luxury, and with the coming of hard times the demand for them fell off rapidly. It became almost impossible to dispose of the crop at any price and the growers were in dire straits. There ensued during the seasons of 1896, 1897, and 1898, the greatest period of depression the industry has ever known.

During those years careful packing of the fruit was more or less abandoned and the grapes were often shipped to market in crates and boxes and sold for what they would bring. The vineyards in many places were also neglected, and as a result certain insect pests, which had never caused much injury heretofore, gained a foothold and have been a source of difficulty ever since. The shipment of basket grapes still continued to be the main outlet for the crop for a number of years following, but since the period in question a steadily decreasing proportion of the total shipments have been of this sort, while the shipment of grapes in bulk, in crates or trays, or in large "Jumbo" baskets, has shown a steady increase. This change in the character of the shipments is indicated in figure 4.

The reasons for this decline in basket shipments are many and varied. Some growers claim that it is due mainly to a lowering of the standard of packing, asserting that for this reason Chautauqua-Erie fruit can no longer compete in the trade for table grapes with other grape-growing sections where better standards have been maintained. Competition with other fruits that are now to be found in the markets in much greater

quantities and in greater variety than formerly is undoubtedly a factor which deserves some consideration. There are two important changes in the grape business itself, however, which have had a powerful effect in bringing about the present situation, in which basket grapes constitute less than one-fifth of the total shipments sent out of the region. The first of these is the growth of a demand in the city markets for bulk

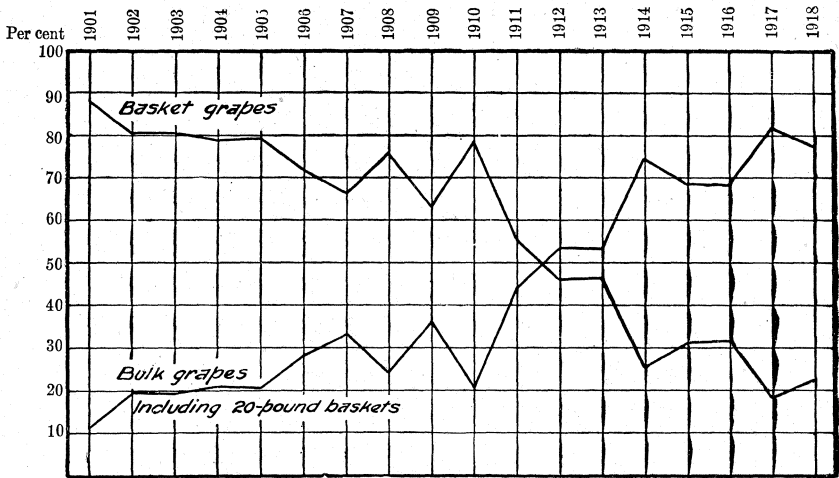


FIG. 4. CHARACTER OF THE GRAPE SHIPMENTS FROM THE CHAUTAUQUA-ERIE BELT FROM 1901 TO 1918

These curves show the decline in basket shipments and the growth of the trade in bulk grapes. The data from which the curves are plotted are from the annual reports of the Chautauqua and Erie Grape Company, and show the proportion of basket and bulk grapes which made up its total shipments for each year. The record of this company indicates in a general way the change that has taken place in all the shipments sent out of the region

grapes; the second is the development of the local manufacture of unfermented grape juice.

Growth of the trade in bulk grapes.—As already indicated, the shipment of bulk grapes had its beginning during the period of depression in the industry during the middle nineties. It was soon discovered that there existed in the city markets a considerable demand for these grapes for making certain cheap grades of sour wine. Fruit for this purpose requires no careful grading and packing; the bulk containers are easier to handle than are baskets; and in general, this phase of the grape trade presents a

much simpler problem from the standpoint of the grower or the shipper than does the trade in basket grapes. By 1900 the making of sour wine was thoroughly established as an outlet for the crop and since that time it has shown a steady growth; so that, with the decline in basket shipments which has taken place during the same period, there has been effected a complete change in the character of the shipments from the region. At the present time bulk shipments have come to constitute over four-fifths of the total. The growth of this phase of the industry is shown in figure 4.

*The manufacture of unfermented grape juice.*⁷—The most notable development in the grape industry in recent years has been the rapid rise of an important new activity in the region, the making of unfermented grape juice. Complete and accurate statistics showing the development of this business since its beginning are not available, but such data as are obtainable show that the rise of this new industry has been a very rapid one, so that at the present time it has become the most important single factor in the Chautauqua-Erie grape trade.

The first plant for making this product on any considerable scale was established at Westfield in 1897. In that year a little over 275 tons of grapes were pressed, making about 44,000 gallons of unfermented juice. In 1900 the production had risen to 149,000 gallons. In 1905 it was approximately 535,000 gallons. By 1907, ten years after the building of the first factory, there were four others in operation in different parts of the belt and their combined output was 1,170,000 gallons. In 1914 the high-water mark in production was reached with a total of 26,317 tons of grapes pressed, resulting in 4,311,670 gallons of juice. As a result of the European War the production fell off somewhat, as may be seen from table 2. At the present time there are located in the region eight large factories which are devoted mainly to the production of unfermented juice.

⁷ The commercial manufacture of unfermented juice from native American grapes had its beginning at Vineland, New Jersey. At this place, in 1869, Dr. C. E. Welch devised a method of sterilizing the juice, and began its manufacture on a small scale for sale to churches for use in communion services. Its use was also advocated for medicinal purposes. The business developed steadily, and soon outgrew its early market as the product began to be used as a popular beverage. In order to insure a more adequate supply of grapes for pressing, Dr. Welch removed to the Chautauqua-Erie region and erected a factory in 1897 at Westfield, New York. The pioneer makers of unfermented juice in the Chautauqua-Erie region itself were: George W. Blaine, who began its commercial manufacture in a small way at North East, Pennsylvania, in 1893; M. B. Gleason, who in 1896 perfected a process for clarifying the juice and organized a company at Ripley, New York; and F. N. Randall, who in the same town about 1900 began the manufacture of unfermented juice in connection with wine making.

TABLE 2. PRODUCTION OF WINE AND UNFERMENTED GRAPE JUICE IN THE CHAUTAUQUA-ERIE BELT FROM 1911 TO 1918

Year	Total grapes pressed (tons)	Relation of grapes pressed to total crop (per cent)	Total production of juice (gallons)	
			Wine	Unfermented
1911.....	11,500	22	826,000	2,412,500
1912.....	22,030	24	999,800	2,646,036
1913.....	23,174	56	233,740	3,621,440
1914.....	30,692	35	656,250	4,311,670
1915.....	11,800	16	461,250	1,439,625
1916.....	14,832	33	323,250	2,055,560
1917.....	20,297	43	654,555	2,776,100
1918.....	12,961*	60	330,000	1,500,000

* Includes about 300 tons lost by fire and not pressed, also some grapes bought by the unfermented-juice factories and made into grape jellies.

This rapid development of the unfermented-grape-juice business has been the most important factor in effecting a notable change in the marketing situation in the region. The grape-juice makers accept only grapes of superior quality and thus compete directly with the trade in basket grapes, a condition which has undoubtedly been important in bringing about the decline of the latter type of shipments. The capital invested in the juice factories is large and the sale of the product has developed an established trade. To supply this more or less fixed demand the factories must have grapes and they are willing to pay high prices if need be. In years when the crop is short they bid up the prices to a high level. This was demonstrated, for example, in the season of 1913, when more than half of the total crop went into unfermented juice at prices as high as \$65 a ton. More notable still was the season of 1918, when, with the shortest crop for many decades, the juice factories took the major part of the total production at prices of \$100 a ton and above.

This demand for grapes on the part of the unfermented-juice factories, combined with the minor demand from the local wineries, has entirely altered the present aspect of the marketing problem in the Chautauqua-Erie region. To the grape grower is now offered a large and growing outlet for his crop at home. The shipment of fruit out of the region, which not many years ago was the main problem to be solved, in recent

years has assumed a place of secondary interest. The effect of such a change on the marketing associations which have been in existence during this later period is a serious one. In years when the crop is short and most of it is taken by the juice factories, these shipping associations find it difficult to procure enough fruit for sending out of the region to pay their cost of operation. Even in seasons when the crop is normal, because of the growing home market the average grape grower feels the need of a shipping association to be a much less vital one than formerly. This has its result in decreasing the support rendered the organizations.

Decline in yields

A condition that has caused much concern among persons interested in the grape industry, is an apparently marked decline in the yield of grapes to the acre during the last two decades. This situation was especially evident in the years immediately following 1900, and at the earnest solicitation of the grape growers the New York State Agricultural Experiment Station at Geneva undertook an investigation of the problem and established a branch station in the grape belt at Fredonia. This work was begun in 1909. In 1914 the result of a part of the experiments conducted was published.⁸ Since that date the work has been continued up to the present time. Some of the conclusions reached in this investigation are mentioned later (page 23).

The annual production of grapes in the region from 1890 to 1918 is shown in figure 5. As may be seen from this chart, the yearly yield is exceedingly variable. Such a condition results from unfavorable weather, unusual depredations by insect pests in some years, and other causes that affect production. Because of this, the best picture of whatever changes in yield are really taking place is obtained by using the average production for a series of years when comparing one period with another. There have therefore been included in figure 5 two curves, one showing the average production for each five-years period and the other showing the average production for periods of ten years.

From the curve showing the five-years averages it appears that there was a rapid and steady increase in total average production of grapes until about 1901, followed by a decline lasting until about 1907. From

⁸ A test of commercial fertilizers for grapes. U. P. Hedrick and F. E. Gladwin. New York (Geneva) Agr. Exp. Sta. Bul. 381:201-230. 1914.

the latter date till 1915 the average production was increasing, while during recent years there has once more set in a rapid decline. The curve showing the ten-years averages records, in less obvious fashion, a similar sequence of changes, except that it lags behind the other about five years and the changes shown are comparatively slight.

Complete data showing the changes in the area devoted to vineyards from year to year are not available. It is therefore difficult to determine to just what extent these changes in production have been due to an increase or a decrease in the area devoted to the crop. According to the

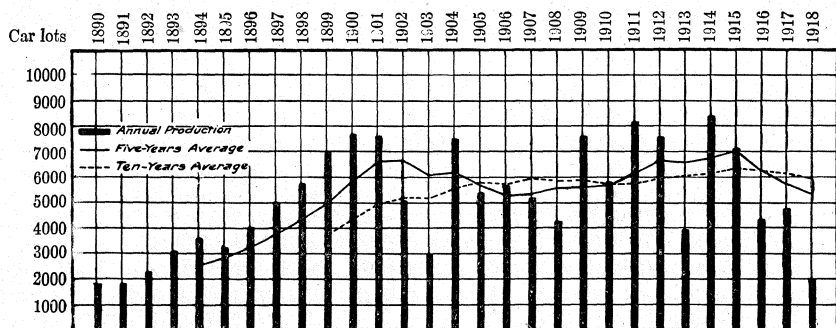


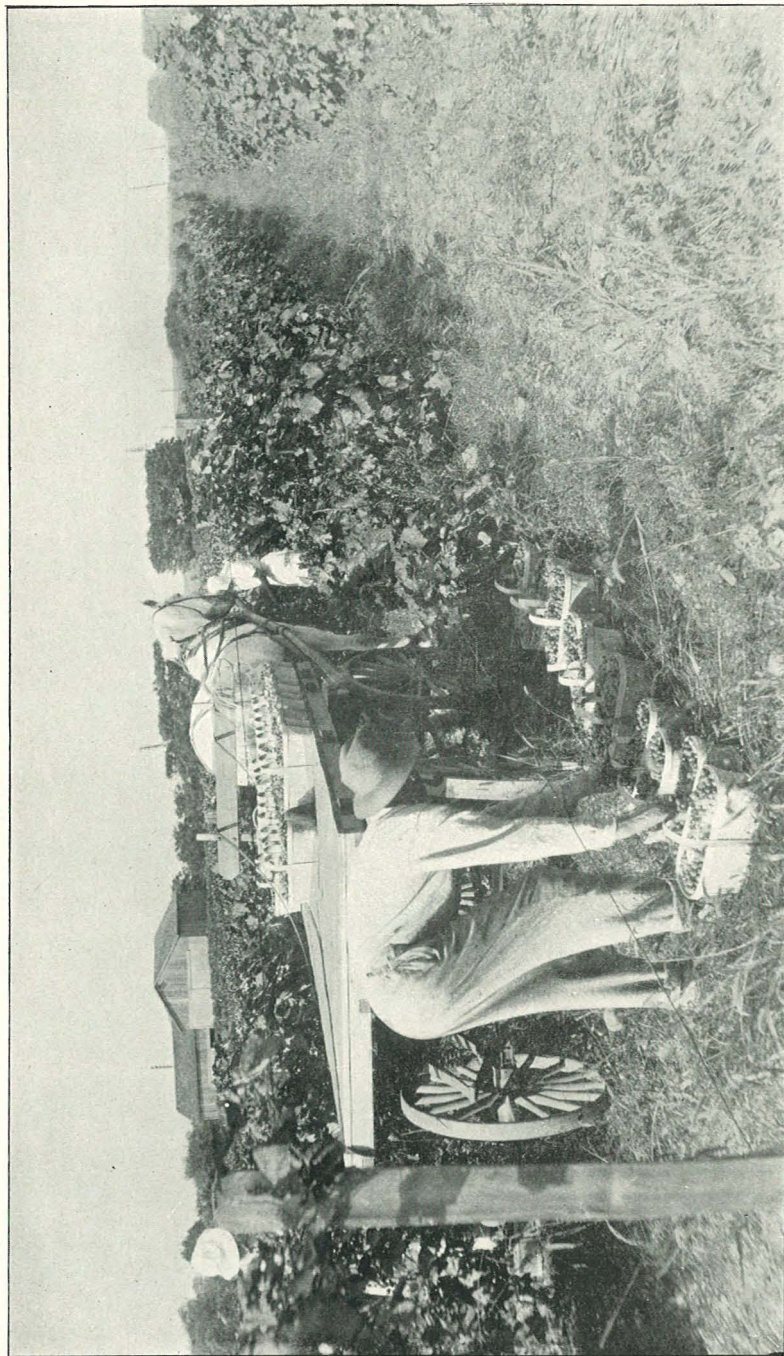
FIG. 5. PRODUCTION OF GRAPES IN THE CHAUTAUQUA-ERIE BELT FROM 1890 TO 1918

This figure shows the annual production in car lots compared to the average production for five-years and for ten-years periods. The rapid and steady increase in production between 1890 and 1896 was due to a great expansion of the vineyard area during these years. The year 1896 was a disastrous one in the grape trade and the low price received for the fruit put a sudden stop to the increase in plantings. But vineyards already planted continued to come into bearing, so that the effect on production was still evident during the few years which followed. The extreme variations in the annual crop produced subsequent to 1900 are attributed not to any great change in the area devoted to grapes but to unusual insect depredations in some years, to unfavorable weather conditions, and to vines weakened by the exhaustion of some needed soil element.

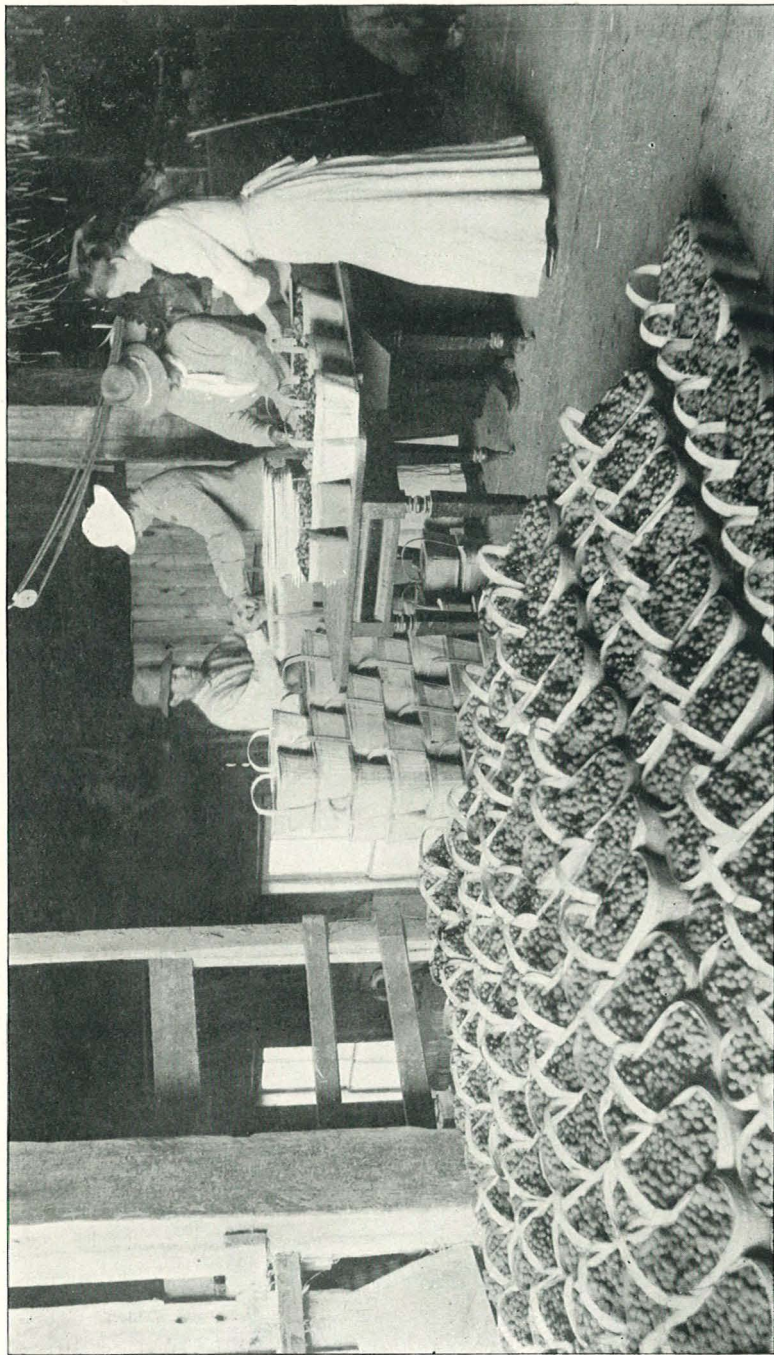
United States Census, during the decade between 1889 and 1899 the vineyard area showed an increase of about 150 per cent. During the same period the average production, as reported by the statistics given in the *Grape Belt*, showed an increase of about 140 per cent. The census for 1910 records an increase in area devoted to grapes over the previous census year of about 31 per cent, while the five-years average production increased only 8 per cent and the ten-years average shows an increase of 17 per cent. As may be seen from the curves in figure 5, the average production since 1910 has shown an increase except during the last year or so. Whether this increase is due to increased plantings during this



PICKING AND PACKING IN THE FIELD, THE METHOD COMMON IN THE CHAUTAUQUA-ERIE GRAPE REGION

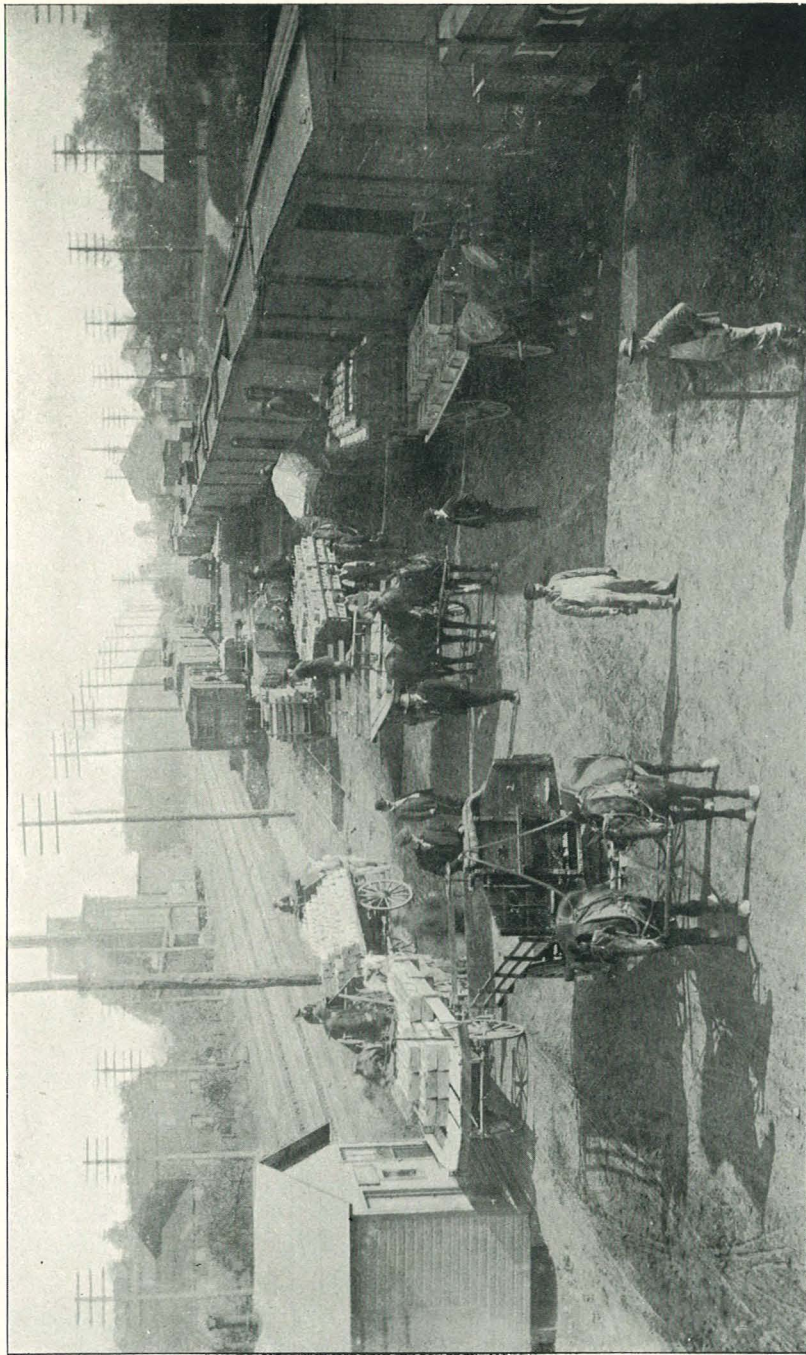


COLLECTING THE GRAPES PACKED IN THE FIELD FOR HAULING TO THE BARN, WHERE COVERS ARE PUT ON THE BASKETS



PUTTING COVERS ON THE BASKETS IN PREPARATION FOR HAULING TO THE SHIPPING STATION





LOADING THE GRAPES INTO CARS

Both bulk grapes in crates, and basket grapes, as they are delivered at the car door for shipment, are shown. At the extreme left a load of bulk grapes is being weighed on the scales

period cannot be determined until the next census figures are available. On the whole, however, it appears that the increase in total production has failed in a marked degree to keep pace with increased plantings of grapes. The comparisons given above are shown in more detail in table 3:

TABLE 3. COMPARISON OF ACREAGE WITH AVERAGE PRODUCTION OF GRAPES IN THE CHAUTAUQUA-ERIE BELT*

Area devoted to grapes			Average production of grapes					
Year	Number of acres	Increase over preceding decade (per cent)	Five-years period			Ten-years period		
			Periods compared	Average production (car lots)	Increase over preceding period (per cent)	Periods compared	Average production (car lots)	Increase over preceding period (per cent)
1889	10,800†	1890-1894‡	2,544††††
1899	27,032	150	1899-1903	6,050	138	1894-1903	5,183†
1909	35,567	31	1909-1913	6,569	8	1904-1913	6,073	17

* In this table, in each case in which average production is compared, allowance has been made for vines not in bearing which may have been included in the census figures regarding acreage. Thus, for the census year of 1899 the five-years and the ten-years average of production for 1903 have been used so as to include grapes planted in 1899 but coming into bearing in the following years.

† Data not available.

‡ The 1890-1894 period is compared with the 1899-1903 period because data for 1889-1893 are not available.

The obvious explanation of a part of this decrease in the average yield to the acre, taking the belt as a whole, is the extension of the vineyard area to poorer soils and to places less suited to the raising of grapes. According to the Geneva experiment station, however, there are other factors at work in some vineyards, such as insect depredations, and the exhaustion of some needed soil element, nitrogen being oftenest the limiting factor. Vineyards that are in a weakened condition because of the working of some of these more obscure factors are less able to stand low winter temperatures, drouths, and other unfavorable conditions. The net result of all this, in so far as it affects the marketing of the crop, is to complicate the situation by the frequent recurrence of exceedingly short crops, the effect of which has already been discussed in connection with the manufacture of unfermented grape juice. Taken in connection with greatly increased costs of production, due to higher wages paid, higher prices for

vineyard supplies, and the cost of combating insect pests, this decline in yield to the acre in many vineyards has made grapes a much less profitable crop than in the earlier days of the industry.

Diversified farming

During the period of the later eighties and early nineties, when grape raising was most profitable, the Chautauqua-Erie region was rapidly changed from one engaged in grain growing and general farming to one placing its entire dependence on a single crop, the Concord grape. With the coming of less profitable years, however, there developed a diversification in farming, of a different sort from that of the early days, which has had an important effect on the marketing problem of the region. The central part of the belt shows less change of this sort than do the eastern and western parts, but in general the whole area is now much less of a one-crop region than it was two decades ago.

On the eastern end of the belt the raising of vegetables and other truck crops has come to be an important adjunct to the grape business. In the western part there has come about a great development in the raising of other fruits than grapes, so that berries, cherries, peaches, and apples now form a sequence of crops maturing throughout the season. These changes have had an important effect in making it possible for a shipping organization to do a more continuous, year-round business than formerly by handling other products besides grapes. As will be seen in Part II of this memoir, certain of the marketing organizations have taken advantage of this condition and have been aided thereby.

THE GRAPE AS A MARKET PRODUCT

The Concord grape produces a compact cluster of thin-skinned, juicy berries. These are easily injured by handling, and in periods of warm weather, especially, the fruit is rather perishable. When the vineyards are not well cared for the fruit also suffers from attacks of certain fungous diseases, which are not easy to detect at the time of shipment but which often cause the grapes to arrive in the markets in poor condition.

Short shipping season

The season of harvest for the grape is a short one, not over two months at most, and the bulk of the Concord crop is marketed during a single month.

Weather conditions play an important rôle. There is always danger of early frosts if the fruit is left too long on the vines. The greatest difficulty, however, results from sudden periods of warm weather which frequently occur during the shipping season. At such times the grapes must be picked from the vines and rushed to market as rapidly as possible to prevent overripeness.

Under such conditions the existing shipping agencies often find their facilities taxed to the utmost to dispose of the sudden flood of fruit presented at the loading stations. The markets become glutted, heavy losses occur from spoiled grapes, and prices fall. It is in such situations as this that a large central marketing association can exert a powerful influence in preventing complete demoralization of the grape trade for the time being. On the other hand, the problem which is thus presented to such an association is a very difficult one to solve. Often a sufficient number of cars cannot be obtained; the association's loading facilities and office and sales force may be entirely inadequate to handle such a large volume of fruit in so short a space of time; and lastly, to sell such a quantity of fruit at all on a falling market is no easy task. In any event, such an association, no matter how skillfully it is managed, is bound to be subjected to much adverse criticism from the growers at such a time, while it is often not realized that without its services in the emergency conditions would have been much worse.

Grading and inspection

The grapes that are harvested for wine purposes, either to be used locally or to be shipped as bulk grapes, are picked directly from the vines into crates or trays, or into large "Jumbo" baskets holding twelve quarts. Such fruit is the ordinary "vineyard run," and requires no re-sorting and very little effort at grading. The fruit sold to the unfermented-juice factories is also "vineyard run" and is picked from the vines directly into the containers in which it is delivered at the factories. Only vineyards producing well-matured fruit, free from worms and from rotten grapes, are eligible to this market, however. Some of the companies have also inaugurated a system of vineyard inspection to maintain the standard of fruit which they receive.

It is in the case of the grapes marketed for table purposes that the problems of grading and inspection have created the most difficulty. This is due partly to the use of the Climax basket as the standard package for

this type of fruit. This basket has a solid wooden bottom, with sides made of thin strips of wood veneer, and is equipped with either a wooden or a wire handle. When filled with grapes it is covered with a thin wooden strip, shaped to fit the basket, which is inserted under the handle and fastened close against the top of the basket by wire hooks. Some experiments in raised covers have been made, but in general the close-fitting flat cover has remained the standard type since its introduction.

The earliest baskets used commonly passed as a twelve-pound size, though they held less than that quantity of fruit. In succeeding years the size has been gradually reduced from twelve to ten pounds, to nine pounds, to eight pounds, and finally at the present time to a six-pound, or four-quart, size established by law. In addition to this last, there are now in use a smaller "pony," or two-quart, basket, and the "Jumbo," or twelve-quart, size already mentioned in connection with bulk grapes.

The package which results from this use of the Climax basket has the advantage of compactness and convenience in carrying. It has a serious disadvantage, however. When filled with fruit on the farm, covered, and then presented at the car door for shipment, the difficulty of performing any adequate inspection of its contents is a serious obstacle in the way of enforcing such rules of grading or packing as may have been agreed upon.

In the earlier days of the industry, when the market for basket grapes was first discovered and Chautauqua-Erie fruit was being sent to supply the demand over more than half a continent, it was the common custom to pick the grapes from the vines into crates, haul these to the barn or to a special packing house built on the farm for the purpose, allow them to wilt over night, and on the following day repack the fruit into baskets. In the repacking process all damaged clusters were rejected, and immature or cracked berries were clipped out by means of specially made shears. The covers were then put on and the fruit was hauled to the station for shipment. The objection urged against this method was that the grapes were injured by being rehandled. But at least this plan of house packing made it possible for the grower, if he wished, to exercise fairly close supervision of the grade of fruit that left his farm.

During the period of depression in the grape industry which came in the middle nineties, the method of house packing was almost universally abandoned and the custom grew up of packing directly into baskets

in the field. From time to time certain groups of growers have attempted to return to the older method, but in general the plan of picking and packing in the field is now the accepted practice in the region. It is cheaper than the older method, and its advocates claim also that it gets the fruit to market in fresher condition. But it is certain that it makes the maintaining of a uniform standard of packing much more difficult. Supervision in the field is far less easy than in the packing house. Also, the pickers are usually paid on a piecework basis, and under such a plan the temptation is strong to put into the baskets merely the ordinary "vineyard run," with little or no trimming and selection.

Central packing houses

There is an obvious difficulty involved in attempting to maintain any uniform standard of packing and grading so long as the fruit is thus put up on each separate farm in the Climax basket, with its tight, close-fitting cover. Mere car-door inspection is entirely inadequate. At best only a few baskets from the farmer's load may be looked into by prying up the covers, and the remainder must be taken largely on faith. As a solution of this problem there has been, from time to time, a considerable amount of agitation in favor of establishing central packing houses at each loading station, to which the growers shall haul their grapes in crates to be repacked into baskets before shipment.

This idea, to a small extent, has been given a trial in several different places in the belt. The largest of these attempts was inaugurated at North East in 1892 by the Grape City Packing Company, a privately owned concern. This company continued in operation for about five years. It occupied a large building, had a side track capable of holding thirteen cars at one time, and at one period employed as many as two hundred workers, all under one roof. Another trial of central packing was made at Brocton in 1894 by the Niagara Grape Company, which had a building 35 feet wide and 300 feet long, furnishing room for about ninety packers. There have been several other efforts of this sort on a smaller scale, but none of these applications of the central-packing plan have managed to survive for any length of time.

There are a number of objections urged against central packing when applied to grapes. The nature of the fruit makes it impossible to apply mechanical sorting and grading devices, such as can be used with oranges

or apples or even with a perishable fruit such as peaches. This being true, much of the efficiency and decreased cost that result when the plan is applied to these latter fruits cannot be secured when it is used with grapes. All grading and repacking must necessarily be done by hand. This introduces a serious labor problem not met with in the case of the farm packing, where the farmer's wife and daughters are often utilized in performing the work. Furthermore, grapes are often harvested in very cold weather. A building designed to serve as a central packing house must thus, for protection of the workers, be of solid construction. It must also be of considerable size to make room for the large number of packers required to handle even a relatively small quantity of fruit. Such a building is costly to erect. If used only for handling grapes, the short shipping season of the latter leaves the building idle for a considerable part of the year, so that cost of upkeep and interest on the investment are large in proportion to the use obtained. Also, the presence on many of the farms of buildings already erected to serve as packing places leads some of the growers to object to investing in other buildings of a similar sort at the loading points.

Finally, the central packing plan is not so flexible as is that of farm packing. With such a crop as grapes, which are often rushed to market in great quantities during some short period when there is fear of over-ripeness or frost, a central packing house becomes swamped with fruit and is entirely unable to expand its operations quickly enough to meet the emergency. With the farm pack, the extra labor needed at such times may be drawn off from other farm work; by packing in the field at such times the problem of house space is eliminated; or, if need be, various farm buildings may be quickly converted into packing places.

PRESENT CONDITIONS IN THE GRAPE INDUSTRY

Many things have transpired during recent years which make the present situation confronting the Chautauqua-Erie grape industry a difficult and puzzling one. Greatly increased costs of production; the decline in yield in many vineyards; the exceedingly short crops of the last three seasons; and lastly, the fixed demand for grapes by the unfermented-juice companies, which in some seasons leaves very little fruit available for shipment — all these have conspired to put the grape business on a precarious and insecure footing at the present time.

In addition there is the problematical effect of recent prohibition legislation. On this score the grape growers are especially uncertain. It seems sure, at least, that the cessation of wine making in certain other grape-growing sections, where this has been until now the chief outlet for their crop, will result in greatly increased competition for the Chautauqua-Erie region in the other phases of the grape business which have heretofore been its main outlet. The possibility of heavy taxation of unfermented-juice manufacture itself is another contingency, the effect of which is problematical.

Furthermore, there is the question of what effect the present legislation will have on the trade in bulk grapes, which, as already indicated, is now the chief type of shipment from the region. Much of this sort of fruit is used in cities for home wine making. Just how much the trade will be curtailed is an open question.

Taken on the whole, therefore, it seems obvious that the grape growers of this particular region are confronted with the problem of readjusting their scheme of marketing to meet changed conditions. An attempt to recover the trade in basket grapes is the solution oftenest proposed. In order to accomplish this successfully, some sort of concerted action seems necessary. In similar crises in the grape industry in the past, recourse has been had to the formation of large central marketing associations. In the following pages the history of these organizations is set forth in detail with the view of presenting their experience as a guide to any future efforts of a similar sort.

PART II

THE MARKETING ORGANIZATIONS

THE COOPERATIVE PLAN OF OPERATION

A cooperative association is often described as one which is owned and controlled by the individuals who do business through it. In a complete and ideal cooperative organization, therefore, a stockholder or a member who ceased to patronize the association would automatically forfeit any such share in its control and in any money returns that it might make. Such an ideal as this is seldom attained under any plan of operation. It is especially difficult to even approach such a condition under the ordinary partnership or under the usual stock-company plan of conducting a business. In these it is commonly provided by law that the control and sharing in profits are to be in proportion to the amount of capital which each person has invested in the business, quite irrespective of whether these persons as individuals transact any business with the concern in which they have invested money.

Experience has shown that an organization is aided in achieving truly cooperative results by adopting as part of its plan of operation certain characteristic features. Democratic control may be secured by giving each member a single vote, regardless of the amount of money that he may have put into the business. In the same way, the advantages obtained from the association may be secured for those who support it by returning all profits to the members in proportion to the amount of business which they have done through the organization. Certain other features are often included with the object of making these same results more sure, but in general these two features are commonly accepted as marking the truly cooperative form of organization.

Inadequate state laws that do not provide for such features, lack of information and of models after which to pattern, and local reasons of various sorts, often prevent the founders of organizations aiming at true cooperation from including such provisions in their plan of procedure. Most of the marketing associations formed in the Chautauqua-Erie region, in fact, have lacked such features or else have attained them only by indirect and cumbersome methods. A narrow definition of the term *cooperative* would exclude many of these. But true cooperation

may flourish under many different guises. It is more than a mere form of organization. The true test is the object that an association seeks to attain. In this larger sense the various associations described in the following pages, though not many of them were truly cooperative in form, were so in intent and in the results that they attempted to achieve.

THE PIONEER ASSOCIATION

(THE CHAUTAUQUA GRAPE GROWERS SHIPPING ASSOCIATION)

As already indicated in Part I of this memoir, it was during the period between 1880 and 1885 that the Chautauqua-Erie region first began to develop the trade in basket grapes and send fruit out of the area in any considerable quantity. The main assemblers for these early shipments were a few of the larger grape growers who had established definite connections with some wholesale dealer in the city markets. By combining their own grapes with those raised by their neighbors, these larger growers were enabled to ship in car-lot quantities and get a better freight rate. The fruit was sent on consignment, the wholesale dealer selling it in the market for what it would bring and charging a ten-per-cent commission for his services.

During that period much fruit still continued to be shipped in less than car lots. Freight rates were high, there was a lack of adequate side tracks for loading the grapes into cars, delays and damage in transit were frequent, and there were often heavy losses. In addition the steadily increasing production as more and more vineyards were planted bade fair soon to oversupply the existing markets. The growers quickly became dissatisfied with such conditions and began to agitate for some sort of concerted action in order to improve the situation. Accordingly there was formed at Brocton, during the winter of 1885-86, the Chautauqua Grape Growers Shipping Association, a mutual unincorporated organization which any grower of grapes might join.

Plan of operation

The plan of this association at the outset was a very loose and informal one. Something of this informality is shown, for example, in the records of its various meetings, which have been preserved. These show a strange mixture, in which the transaction of actual business is inter-

spersed with the presentation of long essays on general horticultural topics and formal debates on current marketing problems. By-laws were adopted providing for a board of five directors who were to serve without pay. To them was given the power to hire a manager and a force of inspectors. There was no membership fee, but the directors were to levy such assessments from time to time as were needed for the expenses of operation.

The main function of this association was to assemble and load the fruit into cars, and to inspect it and see that the two grades which had been established were maintained by the growers. When the fruit was loaded, the association sent it on consignment to the markets and attended to the details of freight charges, claims for damage in transit, and collection and distribution of the returns.

History

The association began operations in the season of 1886 with 180 members. In that year it shipped a total of 103 cars. The looseness of the organization was found to be a serious handicap, however, and before its second season it underwent a reorganization in which a more rigid set of by-laws was adopted. These provided, among other things, for an auditing committee and the adoption of a trade-mark. The main revenue of the association came from rebates which it received from the railroads, and so, as a penalty, it was provided that any grower who failed to ship all his grapes through the association should thereby forfeit his share in this rebate fund, as it was called. The manager was also empowered to sell grapes in car lots "on track," or f.o.b., whenever the opportunity offered. On such sales the manager was to charge the usual ten-per-cent commission and put the amounts received in this way into the general rebate fund.

At the beginning of the third year came another reorganization, designed mainly to provide representation on the board of directors for the townships of Ripley, Westfield, and Arkwright, many of whose growers had joined the association and wished to ship from their own stations. In this new plan, in order to form an expense fund a membership fee of one dollar was provided, and in addition the manager was to retain one cent a basket on all grapes handled. Shipments were also to be pooled every three days and the returns made on the basis of the average price

received for the pool, instead of on the returns brought by each member's fruit as heretofore. In this third year the membership of the association had grown to 240 and the year's shipments amounted to a total of 127 cars.

After a year's trial, however, the pooling agreement was abandoned. The lack of legal entity of the association was a constant source of difficulty and led at this time to a movement to have the organization incorporated. This was not done, however, and the association continued in operation for three years longer as an unincorporated body. In the season of 1890 it shipped 423 cars and in 1891 its total was 331 cars. In these two final years it lost rather than gained in membership, and was in constant difficulty in its efforts to prevent its members from shipping through other channels. At the end of the season of 1891 the association was disbanded to make way for the first attempt at complete belt-wide cooperation which followed.

Results accomplished

So far as obtaining better treatment from the railroads and the commission merchants was concerned, this pioneer association accomplished much that it set out to do. The railroads were induced to put in adequate sidings for loading the fruit; through freight connections were established, making possible a wide extension of shipments to distant points; and losses in transit were greatly decreased. Though freight rates were not exactly lowered, the large volume of traffic of which the association had the routing made it possible for it to obtain very considerable freight rebates from the various roads, the giving of such rebates not then having come under the ban of popular disapproval.

On the other hand, by standardizing the shipments more or less and facilitating in other ways the transfer of fruit from the grower to the wholesale receiver, the association was enabled to induce the commission men to handle its grapes at a smaller charge than the ten per cent that had formerly prevailed. The organization also, by putting a representative on the road, was able to form connections with wholesale houses in new markets, and thus widely extend the outlet for the crop.

Difficulties encountered

The reductions in commission charges which the association secured were made usually by means of what was called a *drawback*, a sum paid to

the association from time to time during the season. From this source and from the railroad rebates came a very considerable revenue to the organization. The distribution of this money to the growers, however, proved a source of serious difficulty. According to the clause in the by-laws, any member who shipped any part of his crop outside of the association thereby forfeited his share in this fund. Such violations were not always easy for the management to detect, and as a result there were many complaints of unfairness and discrimination when the time came to distribute the money. There were also some charges of actual misappropriation of these more or less unknown amounts which the persons concerned in the management received from the railroads and the commission men. Taken on the whole, the looseness of control and lack of adequate record-keeping and audit gave ample grounds for much suspicion and dissension, which continued as constant difficulties throughout the life of the organization.

The question of pooling.—One other difficulty met with in the operation of this first association deserves special attention, inasmuch as it brings into view a problem which has made trouble for all the other marketing organizations that have since been formed in the grape belt. This is the question of pooling the returns received from the fruit when sold.

As already indicated, after one season's experience with this method it was abandoned by the pioneer association. Differences in the quality of the grapes produced in different vineyards made some members unwilling thus to average their fruit with that grown by others. It was also claimed that some growers did not pack as carefully as others, and that the inspectors were not able to detect such differences at the car door though there was an actual difference in the price received when the good and the poor packs arrived at market and were sold side by side. As has already been indicated, this difficulty of inspection is a very real one because of the nature of the fruit and the type of package used. This, together with actual or fancied variation in the quality of grapes grown in different vineyards or in different parts of the belt, has been an ever-present source of friction whenever the pooling method has been attempted on any large scale.

MULTIPLICATION OF SHIPPING AGENCIES

The original aim of the Chautauqua Grape Growers Shipping Association was to serve the growers around the two villages of Brocton and Portland.

Though it later extended its scope and shipped from Ripley, Westfield, Fredonia, Van Buren, Silvercreek, and Sheridan, it never succeeded in even approaching complete control of all the shipments of the belt. On the other hand, its success in opening up more distant markets, and especially the large rebates it was known to receive from the railroads, stimulated the formation of other similar associations. Of these the more important were: the Western Grape Shippers Association, organized at Westfield in 1888; the North East Grape Growers Association, formed at North East in the same year; and the Ripley Shippers Association, the date of whose first shipments is uncertain. There was also formed at Brocton in 1891 the Brocton Grape Growers Shipping Association, composed of a small group of growers who had become dissatisfied with the first association and had seceded from its ranks.

In general plan, all these later associations were modeled after the pioneer company, being mutual, unincorporated bodies. With the possible exception of the Ripley association, however, they were less truly cooperative than the first organization, in that in every case they were launched through the efforts of some one individual who acted in the capacity of a sort of self-appointed manager. These "managers" were usually themselves large growers of grapes, serving without salary from their constituents, who saw the opportunity to combine other shipments with their own and, by following the simple plan of consigning to well-known markets and collecting the railroad rebates, to operate at a cheaper cost than if they shipped with the Chautauqua Grape Growers Shipping Association, which paid its manager a salary of \$1000 in addition to maintaining a considerable force of inspectors and a traveling agent.

The history of these small associations requires little comment. They were local, informal organizations, at best, and made little effort to bind their members by agreements or contracts. Their period of operation was brief, inasmuch as they were all disbanded at the end of the season of 1891, at the same time as the pioneer company, in order to make way for the formation of the first belt-wide organization. Their chief importance arises from the effect they had in alienating support from the pioneer association and in contributing to the general demoralization which resulted from reckless consigning by so many different agencies.

In addition to the small associations, there also entered the field during this period a large number of independent shippers, attracted by the profits

to be gained through drawbacks and railroad rebates. These solicited fruit from any growers who would ship with them, consigned it where they thought best, collected such rebates and drawbacks as they could, returned to the growers a sum sufficient to insure their continued support, and pocketed the remainder. The vineyard area had by this time greatly increased and grapes were being shipped to all the eastern cities and as far west as Denver. The freight rebate on consignments sent to some of these more distant points often amounted to as much as fifty or sixty dollars a car. As a result such methods of shipping could be conducted at a profit.

It was, of course, this great multiplication of local marketing agencies which made it difficult for the original association to prevent its members from shipping outside the organization. Also, so much reckless consigning by so many different shippers soon demoralized the markets and made impossible the plan of the association to inaugurate the method of "on track," or f. o. b., sales, since none of the city wholesalers dared buy in this fashion for fear of competition with consigned fruit, which could be sold at any price.

This era of cutthroat competition, combined with steadily increasing production as more and more vineyards came into bearing, soon brought its natural result in lowered prices. It became clear that some concerted effort must be made to do away with the abuses that had arisen and find still wider markets for the rapidly expanding industry. As yet the Chautauqua-Erie region had no real competitor in the western markets, and it seemed sure that if the consignment method of shipping could be eliminated, and some united action taken to distribute the crop in a more adequate fashion, there was still ample outlet for all the grapes that were being produced or would come into bearing in the next few years. A single large shipping agency which would control the disposition of the entire crop seemed to be the obvious solution.

THE FIRST BELT-WIDE ORGANIZATION

(THE CHAUTAUQUA AND NORTH EAST GRAPE ASSOCIATION)

During the period of the later eighties, as has been indicated in Part I of this memoir, the extension of the vineyard area in the Chautauqua-Erie region had gone forward at an exceedingly rapid rate. The growers of grapes were now numbered in the thousands and shipments were being

sent out in carload lots from fifteen or more towns. With an industry grown to such formidable proportions, the task of launching a single all-inclusive shipping agency was no mean one. After much discussion and planning during the winter of 1891-92, however, the local associations all disbanded and there was formed the Chautauqua and North East Grape Association, embracing all the towns of the area and having more than 75 per cent of the total grape acreage pledged to its support.

Aim of the association

The main objects of this organization, as stated in its articles of incorporation, were

to supply a uniform grade of fruit at prices that shall afford the greatest possible profit to the grower; to sell on track as much, and consign as little fruit as possible; to induce the railroads to grant a lower classification and more reasonable freight rates on grapes, and to adopt some plan whereby cars shall be guarded or else sealed more effectively to prevent theft in transit; if other similar unions are formed in other grape sections, to act in conjunction with them; to divide and classify the whole territory of the United States so that overloading of the markets may be prevented and each section secure fruit according to its requirements.

It thus appears that the aims of this first belt-wide organization were of an ambitious nature. The mention of "other similar unions" which might be formed had reference mainly to the grape region around the central lakes in New York State, where there was at that time on foot a project to form a central marketing agency for that section. In the neighboring Ohio district along the shore of Lake Erie the vineyard area was also increasing at a rapid rate, and the hope was that these three regions could form some sort of a working agreement and thereby practically control the grape trade. The monopoly power expected to result from such an arrangement was one of the important arguments advanced in favor of the formation of the Chautauqua and North East Grape Association.

Plan of operation

The company was incorporated in 1892, under New York State laws, with a capital stock of \$10,000 (later reduced to \$7500) divided into 2000 shares of a par value of \$5 a share, one-half to be paid in the first year. The stock was to be sold only to bona fide growers of grapes, on an apportionment of not more than one share for every sixteen acres of vineyards owned. A grower owning less than sixteen acres, however, was allowed to hold one share.

A president, a secretary, and a treasurer were to be elected by the stockholders and were to hold office for a term of one year. The real management, however, was vested in a board of nine directors, one to be elected from each of the eight districts into which the belt was divided for the purpose, and one to be elected at large at the annual stockholders' meeting. In order to hold office as a director the person elected must be a grower of grapes on a large enough scale to be entitled to the ownership of five or more shares of stock. From among their number the directors were to choose an executive committee of three, to whom was entrusted the entire control of shipping and selling the fruit and making collections for the same. In addition to electing a director to represent them on the board, the stockholders in each of the eight districts were also to meet and designate one man from the district to serve as a salesman under the direction of the executive committee. At each local shipping point the stockholders using the same were to elect a local manager to have charge of loading the fruit, and were to determine his pay.

The division of the belt into eight districts was on the whole a bit misleading, inasmuch as the actual control and direction of the affairs of the company was highly centralized. The main office was at Brocton, and to this point the local managers were to forward each day all records of the operations at the local shipping points, the accounts of the individual growers with the company thus being all kept in the central office. The salesmen also, though chosen by ballot by the different districts, were under the entire direction of the executive committee, and sold not for their particular district but for the company as a whole.

Two grades of Concord grapes were to be shipped. For the first year all the fruit handled by the company was to be pooled daily, one pool for each grade. A written contract between the company and the grower was provided, by which the latter bound himself to ship all his Concord grapes through the association and to abide by its rules of inspection and grading. The company agreed to sell the fruit to the best of its ability, returning as promptly as practicable the entire proceeds of the sale to the grower after paying such expenses as were deemed necessary. It was further agreed that the party violating the contract should pay a penalty of one cent a basket for the year's crop of the grower whose grapes were in question.

History

In its first season of operation the company held contracts with more than two thousand growers and shipped a total of 1841 cars of grapes, equivalent to a little more than 72 per cent of all those shipped from the area for that year. In the year following it shipped 1836 cars out of a total belt shipment of 3100 cars, or a trifle less than 60 per cent of the total. At the end of that year the growers at North East and Harbor-creek, in the Pennsylvania end of the belt, became dissatisfied and withdrew in a body, forming a local association of their own to handle their crop for the following season of 1894. In this third year of its operation the shipments of the Chautauqua and North East Grape Association amounted to only 1131 cars, about 30 per cent of the total for the year.

Thus, after a three-years trial, it was clearly apparent that the organization had failed in its avowed aim of controlling the marketing of the entire grape crop of the region. In addition it had by this time become involved in so many legal and other difficulties, and had stirred up so much bitterness and dissension among the grape growers, that its abandonment was the only logical course. Accordingly, at the annual meeting of the stockholders in January, 1895, it was voted that the company be formally dissolved and go into voluntary liquidation.

Persistence of the cooperative idea

Thus ended the first ambitious attempt to combine all the growers of the Chautauqua-Erie region into a central marketing organization. At the meeting which saw the formal disbanding of the company, however, the sentiment was still strongly in favor of the continuance of a belt-wide union of some sort. Resolutions were accordingly passed calling for the formation of a committee to be composed of three growers from each town to draw up a plan of organizing on a better basis. This committee met soon afterward and recommended that in each town a mutual association should be formed, and that these local associations should pledge themselves by contracts to sell their grapes through a single incorporated stock company having abundant capital and under the direction of a manager who should hire an adequate sales force and attend to the disposal of the entire crop. In an effort to meet the recommendations of the committee, the Chautauqua Grape Company was incorporated at Brocton with a capital stock of \$20,000, the stock to be

allotted among the towns on an apportionment similar to that used by its predecessor.

The growers in the Pennsylvania end of the belt, who had been the first to withdraw from the Chautauqua and North East association and return to the plan of a local shipping agency, steadily refused to affiliate with the new venture. Lacking their support, most of the other towns finally failed also to form the required mutual associations, and so the proposed plan of preserving some sort of belt-wide cooperation fell apart completely. The capital stock of the Chautauqua Grape Company was reduced to \$2000 and found its way into the hands of a few growers around Brocton and Portland, where it began operations the following season as a local shipping agency. This company, however, made known its willingness to suspend operations whenever 75 per cent of the grape acreage of the belt should be pledged to the support of another attempt at belt-wide organization, a promise which it made good in 1897 when the second large-scale attempt at marketing was launched.

Reasons for the failure of the Chautauqua and North East Grape Association

In any discussion of the faults and mistakes of the first belt-wide organization, the fact should be kept in mind first of all that it was a pioneer attempt; that it had no models of a similar sort after which to pattern; and that to handle, as it did, a business of nearly a million dollars in the short space of seven weeks, was no mean task. It is doubtful, in fact, whether any of its founders fully realized the magnitude of the problem that they were undertaking to solve.

The main difficulties that the company encountered are set forth in the report of the directors in which they advised that the company be dissolved. The substance of this report is as follows:

Unless it can control all the grapes in the belt the company is too unwieldy to act efficiently as a shipping company; much stock is at present owned by persons who do not ship with the company; it has been declared by lawyers to be a trust and as such is unable to hold growers to their contracts; the present name is a misnomer, inasmuch as the growers at North East have withdrawn entirely; the trade-mark, not being copyrighted, is being used by other shippers.

Lack of an efficient operating plan.—The unwieldiness mentioned by the directors was mainly the result of inexperience in planning the details of such a company. Whether or not it could remain in control of all

the shipments of the belt, the plan of keeping all the records in the one central office and the choosing of salesmen by ballot were points of weakness which led inevitably to trouble. Salesmen thus elected were bound to come into friction with the executive committee under whose direction they were expected to serve, and since the committee had not the power to dismiss them the morale of the organization suffered accordingly. On the other hand, with no real organization at the local points, the problem of bookkeeping in the central office was a complicated one; mistakes were frequent, collections were often slow, and there were no facilities for advancing money to the growers as it was received, so that each pool was held up until all collections were made. As a result the growers often had to wait a long time for their money, and there was much misunderstanding and dissension because of the delay. Lack of publicity in the affairs of the association also aided in deepening the distrust of the management felt by many of the growers.

Weakness of the stock-company form of organization.—An important source of difficulty was the stock plan of organization adopted by the company. According to law, growers who had ceased to ship with the company still had the right to vote in its meetings so long as they owned a share of stock. Furthermore, when at the end of the year it happened that there was a surplus above expenses of operation, such surplus had to be returned to stockholders in proportion to the stock owned. The growers at North East and Harborecreek, for example, after they had seceded in a body still retained this voting power and received rebates on their stock in spite of the fact that they were shipping through a local association of their own. Such a situation made for much ill feeling on the part of those who continued to support the organization. For this weakness of the company its founders could hardly be blamed, since it was the direct result of inadequate state laws, which at that date⁹ made no provision for a truly cooperative type of association in which voting by outsiders could be prevented and profits distributed on the basis of business done with the company instead of according to the amount of stock owned.

Pooling difficulties.—The question of pooling, as in previous associations, was also a fertile source of difficulty. During the first year of

⁹ The first New York State cooperative law was passed in 1913, providing for cooperative organizations with capital stock. A second law, passed in 1918, provides for the formation of the non-stock type of association. These laws are reprinted here in Appendix I (page 85).

operation under the plan of a daily pool, the complicated bookkeeping which was found to be necessary nearly overwhelmed the unprepared and inexperienced central office. Furthermore, in order to clear the tracks of unsold grapes, the executive committee was forced at times to consign some cars. In order to maintain prices in their usual markets these were often sent to places where the company had no salesmen, or else to New York City, which was used in this fashion as a dumping ground. The low prices frequently received on these shipments fell heavily on the growers having grapes in that particular pool, and in general there was much dissatisfaction with the plan. This led to the adoption for the second season of three pools for the entire season, the time for closing each of the three to be left to the discretion of the executive committee. A few growers insisted that one single pool for the entire season was the only fair plan, and withdrew their support at the end of the second season when they were unable to force the adoption of such an arrangement. On this question of pooling, in short, there were almost as many different opinions as there were growers, so that no matter what plan the company put into operation it still came in for much adverse criticism.

Inability to enforce contracts.—The prestige of the company was seriously weakened at the very outset of its first shipping season, and its inability to enforce the penalty clause in its contract was disclosed, through the defection of a prominent grower who had been elected a director but who resigned his office and declared his intention to act as an independent shipping agent. In a statement given wide publicity in the local papers he charged that the men chosen to serve on the executive committee had no real conception of the magnitude of the task on which they were launched, and that they had made no adequate preparations to handle the great volume of fruit which the company had contracted to ship. Such charges, of course, caused much bitter recrimination. It was claimed that the withdrawal of the director was due to personal jealousy and for selfish ends. But whatever the real facts in the matter may have been, the first breach in the ranks had been made and much ill feeling stirred up to hamper the company in its initial season. Suit was brought against the former director and against those who had followed his example in withdrawing, in an effort to hold them to their contracts; but the matter

was never brought to trial, the counsel employed by the company declaring that such a contract was in restraint of trade and non-enforceable.

Jealousy between different parts of the belt.— In addition to the various faults of organization and management thus brought to light during its three years of operation, and the legal handicaps under which it suffered, there were two less obvious but important factors which worked against the success of this first belt-wide association from the very outset. The first of these was the jealousy which existed among the various towns of the belt. The second was the ability of independent shippers in competition with it to secure a better average price for the grapes which they handled each season than could the association.

The very real jealousy among the towns worked in many devious and obscure ways to undermine the organization, but it was an important factor nevertheless. The mere name of the company, for example, was a cause of constant dissatisfaction to the growers in the eastern end of the belt, who contended that one town, North East, was being singled out for special and undeserved prominence by calling the company the Chautauqua and North East Association. The growers in the latter town, on the other hand, stoutly insisted on such recognition as the price of their support, since they were not in Chautauqua County while at the same time ranking second among the towns in the quantity of grapes shipped. They in their turn objected to having all the business of the association transacted through a single bank in the town of Brocton, where was located the central office of the company. The method of holding back the money received by the company until all the collections for a given pool were made resulted in placing at the disposal of this bank considerable sums of association money and for considerable periods, a condition which added much to its prosperity, but not to its popularity with the banks in the other towns. These and similar controversies were a source of never-ending dissension throughout the whole history of the organization, and must be recognized as among the less obvious causes of its failure.

Inherent disadvantage of a large central association.— The second factor mentioned, the ability of the independent shippers to secure better average prices for the season, was even more important in weakening the support of the organization. There is evidence that this situation actually existed throughout the three years during which the belt-wide association was in

operation. Not all the independent shippers, of course, were able to show such results at the end of the season, but a few of the more clever and experienced among them were invariably able to do so, thus casting serious discredit on the management of the association and supplying a powerful lever in alienating its growers. It is probable that the situation was somewhat aggravated during the time of this first belt-wide organization by a certain lack of aggressiveness on the part of its sales force and by lack of skill and foresight in combating the competition of the independent shippers, all of which may be attributed to inexperience in meeting such a situation rather than to actual mismanagement of a more reprehensible sort.

The secret of the success of the independents was simple. They merely avoided sending any fruit to the markets where the association was known to be consigning grapes in an effort to maintain prices in the other markets. Had the organization, when it was swamped with fruit, continued to distribute it evenly in all the markets, the general level of prices would have been forced down, possibly to the detriment of the industry as a whole; but the advantage of the independents would have been destroyed and the prestige of the managers of the association would have been maintained. The other alternative open to the belt-wide organization, that of making special efforts to open up new markets, would have been still better for the industry as a whole; but the cost of doing this would have been a tax borne only by the organization, to the obvious advantage of the independents.

This whole matter of the competition between an association of growers concerned primarily with the best interests of an industry as a whole, and a group of independent shippers intent on private gain, discloses one of the inherent handicaps under which such an association must labor when it attempts to sell the major part of any perishable and erratic crop such as grapes. Sooner or later during its career there comes a time when, because of a period of warm weather in the shipping season, fear of frost, or similar emergency, the fruit is presented for shipment in a volume so great as to overtax its facilities for disposal. A private shipper may simply refuse to accept the fruit while the markets are demoralized, but not so an association which derives its origin from the growers themselves. The organization therefore tends to become a dumping ground in times of stress and must pull through as best it may. At the end of the season, however, its services in the emergency are often forgotten and only the average price

received is considered in comparing its results with those of other shipping agencies. Thus it has been, not only with this first belt-wide association, but with other subsequent organizations in the Chautauqua-Erie grape region. As long as they are in operation their effect in stabilizing and maintaining prices is only too welcome; but the temptation to let his neighbor support the organization while he reaps the more immediate gains which it makes possible is a strong one to the average grower—certainly a very human frailty, but one which is very powerful in preventing the continued success of any attempt at organized marketing through an association.

Results accomplished by the Chautauqua and North East Grape Association

According to the statement of its own directors, quoted above, the Chautauqua and North East Grape Association was an admitted failure in many ways. Yet, in spite of the bitterness and dissension which it stirred up among the growers, and in spite of its inability to achieve its main objects, this first attempt at belt-wide organization accomplished many things of value to the grape industry as a whole. Through its efforts many new markets were made accessible to Chautauqua-Erie grapes, partly through the reduction in freight classification for grapes which it was able to obtain from the western railroads, and partly through the activities of its salesmen in invading new territory. Although itself forced at times to consign fruit, in the main the company succeeded very well in bringing about the acceptance of f. o. b. sales as the common practice in the grape trade, and by so doing it eliminated in large measure many harmful and vicious practices that had grown up under the consignment method. Lastly, by sending to the markets a large volume of fruit under the one brand name, the Chautauqua-Erie district was advertised far and wide among the members of the fruit and produce trade of the country in a way that had never before been so thoroughly accomplished, resulting in much permanent benefit to the industry as a whole.

The numerous difficulties encountered by the association, and the faults and weaknesses in its organization and management which were disclosed, were also not entirely without value as a guide to subsequent attempts at organization with similar objects in view. Thus, in the second belt-wide association, launched a few years later, every effort was made to avoid, through special provisions in the by-laws, the inherent difficulties of the

stock-company plan of organization as to voting power and sharing of profits. It was seen also that the accounts with the individual growers should be kept at the local stations and some provision should be made for advancing money to them through some organized body at these local points. These and many other points were made clear by the experience of this first ill-fated attempt, so that it made a very real contribution to the better understanding of the marketing problem and the way in which this problem might be solved.

THE SECOND ERA OF LOCAL ASSOCIATIONS

In the breaking up of the first belt-wide organization, as already indicated, the growers at North East were the first to withdraw, reverting to the earlier plan of a local shipping company and forming the Lake Erie Grape Association even before the final dissolution of the Chautauqua and North East union. After the disbanding of the latter at the close of the season of 1894, other local organizations were formed. Among these were the Brocton Shippers Association, the Ripley Grape Growers' Association, the Chautauqua Grape Union of Hanover, and the Chautauqua Grape Company; the last named, as already stated, had first been intended to carry on the scheme of belt-wide cooperation, but, failing to win the expected support, reduced its capital and became substantially a local shipping agency for the district around Brocton and Portland.

With the exception of the Chautauqua Grape Company, these local unions were of the familiar mutual, unincorporated type of the earliest associations. They were less informal, however, having usually a paid manager and some definite membership agreement binding their growers to ship with them. Of their history and details of operation, little information is available except in the case of the Lake Erie Grape Association, which operated in the two towns in the Pennsylvania end of the belt.

The Lake Erie Grape Association

The Lake Erie Grape Association was probably the largest of the local organizations in operation during this period. In its first season, in 1894, it shipped a total of 682,449 baskets, or 218 cars, and distributed the sum of \$74,419 among its members after deducting operating expenses. The following year it handled just a trifle under 200 cars; and in 1896, its last year, the total shipments amounted to 226 cars. On the whole its short

history of three years is notably free from dissensions and it seems to have retained the support of its members with little difficulty.

In this association the entire control of loading, inspection, and selling was placed in the hands of a manager serving under the supervision of an executive committee of three chosen by vote of the members. The manager was paid \$5 a day and the members of the executive committee received \$4. A president serving without pay, a secretary-treasurer at \$3 a day, and a board of seven directors receiving \$2 a day each while attending meetings, comprised the officers of the association.

Any grower of grapes in the townships of Harborcreek and North East could become a member by signing an agreement binding himself to ship all his Concord grapes with the association and paying a fee of \$2 for every acre of vineyard which he controlled. At the outset no penalty was provided for violation of the shipping agreement. In the meetings each member was allowed one vote for every ten acres of grapes which he had agreed to ship.

Two grades of grapes were established and two pools a week for each grade were to be made, no grower being allowed to present for shipment in any one week more than 20 per cent of his total crop. The association was to retain a fee of one-half cent on all nine-pound baskets and one-fourth cent on all four-pound baskets that it shipped. This money was to form an expense fund, of which any part remaining unused at the end of the season was to be distributed as a rebate to the members in proportion to the amount of fruit each one had shipped through the organization. Thus, so far as voting and sharing in the profits were concerned, this association may be said to have been truly cooperative in form.

After one season's experience it was found necessary to insert in the membership agreement a clause providing that any member who shipped any of his grapes outside the organization should thereby forfeit all claim on money or property acquired by the association through membership fees or the general expense fund. For the second season it was also provided that returns should be made on the basis of a single pool of all the shipments for the year. This one-pool plan, however, proved unsatisfactory, and for the third season the association returned to the method of two pools a week. The difficulty with the one-pool plan seemed to be that some of the growers could not be prevented from rushing their fruit off the vines whenever it was convenient, with no regard to the condition of

the markets, while those who held back and picked only when the markets were in better shape got no additional return by thus assisting the association in disposing of the crop.

One difficulty encountered by this organization was its lack of corporate form, its status being such that any legal action had to be taken in the names of all the individual members. Lack of sufficient capital was also another handicap which made it impossible for the association to advance any funds to its growers till each pool was entirely closed and all collections were made. This made the returns long delayed at times and caused some dissatisfaction among the members. Just before the organization finally suspended operations there was some agitation in favor of incorporating as a stock company in order to mitigate these difficulties, but the proposed change was not adopted.

The general success of this association is indicated, however, by the reluctance of its members to disband and join the second attempt at belt-wide organization which soon began to be agitated. For this, of course, there were other reasons, such as jealousy of the other towns and unwillingness to pool their grapes with those from other parts of the belt. But finally, after three years of fairly successful operation, the Lake Erie Grape Association went out of business and its growers completed the support needed to launch the second belt-wide association.

Period of depression in the industry

It was these various small local associations, together with the numerous independent local shippers who had entered the field, that furnished the means of disposing of the crop during the disastrous season of 1896, the year that saw the beginning of the greatest period of depression which the Chautauqua-Erie grape industry has ever suffered.

As already indicated in Part I of this memoir, it was during the years between 1885 and 1893 that the raising of grapes had been especially profitable and the planting of vineyards had gone forward at an exceedingly rapid rate. This great boom in planting not only had affected the present area included in the Chautauqua-Erie belt, but also had extended along the lake shore westward into Ohio, so that at various places all the way to Cleveland and beyond were to be found considerable areas devoted to grape raising. The greatly increased production from this wide area of new plantings now began to come into markets suddenly constricted by

the nation-wide industrial depression of the middle nineties. Prices fell off sharply. In 1896 they reached the low mark of six cents for a nine-pound basket, a point actually below the cost of production, and the grape growers were placed in dire straits.

The glutted condition of the markets and the presence of so many competing local shipping agencies led to an almost complete abandonment of the method of f. o. b. sales, which the first belt-wide association had labored so hard to establish, and caused a reversion to the consignment method. The low prices also resulted in serious neglect of the vineyards and the doing away of all pretense of putting up a careful pack.

On the whole the predicament of the grape growers was a serious one, and they were in a mood to seize on any sort of change which promised even faint hope of relief. They were inclined, however, to attribute their troubles mainly to the presence of so much local competition and to the apparent failure of the plan of small local associations and local independent shippers to insure an adequate distribution of the crop, rather than to the fact, much clearer now, that a period of greatly increased production had unfortunately coincided with one of decreased consumption in the markets. Accordingly the time was ripe for another trial of belt-wide cooperation.

THE SECOND BELT-WIDE ORGANIZATION

(THE CHAUTAUQUA AND ERIE GRAPE COMPANY)

During the winter of 1891-92, after much agitation and discussion, the small local associations all agreed to disband in order to clear the way for a second attempt to centralize the marketing of the entire crop of the area in the hands of a single company. Most of the local independent shippers were also induced, in one way or another, to merge their interests with the rest and join the organization. Some of the latter who were not themselves primarily grape growers, having built up a considerable following and established valuable connections in the markets, were loath to give up business in such fashion. It was therefore thought advisable to provide places for them in the management of the new company, a plan which was useful so far as securing needed support was concerned but which made the company itself more cumbersome and complicated than it should have been for the most efficient operation. In the end, however,

a very complete amalgamation of the whole industry was effected, and the organization, under the name of the Chautauqua and Erie Grape Company, was finally launched with practically the entire vineyard acreage of the belt pledged to its support.

Plan of organization and operation

The stated object of the company was "to supply a uniform grade of fruit, prevent overloading of the markets, and secure a wider and more equitable distribution of fruit, at the least possible expense to the producer." It was incorporated in 1897 under the New York State laws with a capital stock of \$12,500, divided into 2500 shares, one-half paid in on each share. These shares were to be apportioned among the townships of the belt according to the acreage of bearing vineyards in each, and were to be sold to grape growers only. Any earnings above expenses and six per cent a share on the amount paid in on the capital stock were to be divided among the growers who shipped with the company, in proportion to the amount of grapes shipped by each.

District associations.—The main office of the company was at Westfield. The grape belt was divided into eight districts, in each of which a local association was to be formed. By signing a contract binding himself to ship all his Concord grapes with the central organization, any grower became entitled to all the privileges of membership in the local association of his district, whether or not he held any stock in the central company. The members of the district associations were to elect a local board of directors and a manager, determine what pay these officials should receive, and empower them to hire such help as was needed at the local shipping points in keeping records, inspecting fruit, and loading it into the cars.

Each of the eight districts was entitled to representation on the board of directors of the central company, the number of representatives to be chosen being determined roughly on the basis of its acreage of bearing vineyards. The townships of North East, Ripley, Westfield, and Portland, each comprised a district in themselves and were allowed two directors apiece. The combined townships of Pomfret and Arkwright were considered another district and were also given two representatives. The remaining districts were the combined townships of Dunkirk and Sheridan, the combined townships of Hanover and Perrysburg, and the single town-

ship of Harborcreek. Each of these was entitled to one director, making a total, all told, of thirteen members on the board.

Cooperative features.—The method of electing the directors of the company was a peculiar one. It was provided that sometime prior to the date for holding the annual stockholders' meeting, the members of each of the district organizations were to meet and choose by ballot the stockholder whom they wished to represent them on the board of directors. At the annual meeting which followed, the men so chosen were expected to be formally elected by vote of the stockholders, as required by law.

The object of such a curious roundabout way of election was, of course, to provide for direct control of the company by those who actually supported it, an evasion of the New York State law which placed such power in the hands of bona fide stockholders only. All that any grape grower had to do in order to become a member in good standing of one of the local associations, was to sign a contract each year agreeing to ship his grapes through the organization. If he failed to sign such a contract he thereby forfeited his membership in the local association and thus indirectly forfeited also his voice in the management of the central company, even though he actually owned stock in the latter. The obvious weakness of such a plan is that the stockholders might choose to disregard the wishes expressed in the local meetings and elect instead some other person than the one already designated. But although the company has continued in operation until the present time under the same plan, such a contingency has not yet arisen.

This voting device, together with the provision limiting profits on the stock to six per cent, is a good example of the numerous ingenious and sincere efforts of those who planned the company to overcome the handicap of inadequate laws and make the organization truly cooperative in form as well as in spirit. At the present time, under more recent New York State laws, such cumbersome devices for achieving these ends are not necessary. But as yet the company has not seen fit to reorganize so as to take advantage of the newer provisions in the law.

The central committee.—One of the most characteristic features of the company as originally planned was the provision for a central committee of eight members, to whom, as stated in the by-laws of the organization, was given entire charge of "selling, marketing, pooling, inspecting and collecting for all grapes shipped through the company."

In each of the eight districts the contract growers were to elect one representative to serve on this central committee. The person so elected did not need to be an actual grower of grapes or even a resident of the district, one of the main reasons for having the committee being to provide places for certain independent shippers and thus remove them as competitors of the company. The salaries of the men serving on the committee were to be fixed by the board of directors, who were also to assign to each one the work he was to perform. One, for example, was to be designated as the financial secretary and to have entire charge of all collections and disbursements of the company; among the others were divided the duties of supervision of a sales department, a bookkeeping department, and a department of inspection and loading. Such assistants as were needed were to be hired by the board of directors. The latter were also to authorize the financial secretary from time to time to advance to the managers of the district associations portions of the money received for fruit, until each pool should thus be paid to the growers in full through the local managers.

All grapes were to be pooled daily by the central committee, each variety, grade, and style of package by itself. To provide for an expense fund the central committee was to retain one-half cent a basket on all grapes shipped.

Comparison with the first belt-wide association.—From the foregoing it may be seen that this second belt-wide association differed considerably in its plan of organization from its predecessor, the Chautauqua and North East Grape Association. The provision for local associations affiliated into a central organization whose entire concern was the grading and selling of the fruit, the limitation of the return on the stock to six per cent, and the elaborate efforts to place the control of the organization in the hands of persons actually shipping with it — all were attempts to profit by the demonstrated weaknesses of the earlier company. In addition, the association copyrighted its trade-mark; its name was chosen so as to allay the jealousy among the different towns; and provision was made for distributing such funds as it might have for deposit, among the various banks of the area, through the plan of advancing money to the local associations as fast as it was received. The effort to include cooperative features is obvious. The company, in short, was a truly cooperative one, forced by inadequate laws to masquerade under the guise of the ordinary stock-company plan.

History

In its first season of operation, in 1897, this second belt-wide company handled practically the entire crop of the region, shipping the rather surprising total of 4444 cars of grapes. In its second year, however, its proportion of the total shipments fell to a little more than one-half; while in its third year it handled only a trifle more than one-fourth of all the grapes that were shipped. During the two following seasons it continued to decline in power, reaching its lowest ebb in 1901 when it controlled less than one-sixth of the total for the year. Since that time there has been a slight,

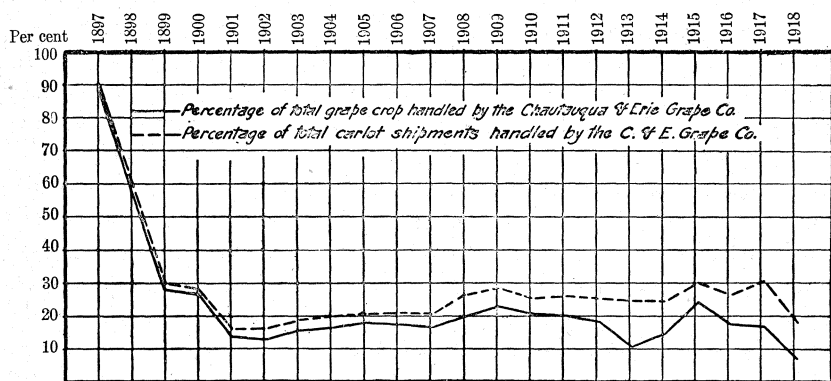


FIG. 6. RECORD OF THE CHAUTAUQUA AND ERIE GRAPE COMPANY AS A SHIPPING AGENCY

This curve shows the proportion of the total crop and the proportion of the total car-lot shipments which the company has handled each year since its organization. The upper curve indicates more accurately the true status of the association during the period. In this the grapes used locally or shipped in less than car lots are eliminated and the shipments made by the company are compared to the actual quantity of fruit shipped out of the belt in car lots. The divergence of the two curves is due mainly to the increasing use of grapes locally for making unfermented grape juice

but fairly regular, increase in the proportion of the shipments handled by the company, and at the present time it is found to be in control of more than one-fourth of the actual car-lot shipments from the Chautauqua-Erie belt.

This phase of the decline and partial recovery of the second belt-wide association is shown in figure 6. The lower of the two curves shown represents the proportion of the total crop of the region which has passed through the hands of the company during each season. The upper curve shows the proportion of the actual car-lot shipments sent out of the area which have been handled by the organization. It should be noted that the upper curve best represents the actual status of the company

for any given year, since in this curve the less-than-carlot shipments and the grapes used locally for unfermented juice and wine have been eliminated. This is the only fair test to apply in estimating the control exercised by the company. Its function has never been other than that of a car-lot shipper, and the real measure of its success or failure is its ability to control the part of the crop marketed in this fashion.

Unfavorable weather conditions.—As may be inferred from figure 6, the most serious difficulties encountered by the company were met with during its first two years of operation. Some of these were internal troubles, inherent in the plan of organization with its cumbersome two-headed system of management. But in these two seasons there appeared other complications of a different sort which would have taxed the ability of even the best-planned and most experienced of organizations, and which had an important effect in discrediting this ambitious cooperative attempt at its very outset.

The season of 1897, in which the company began its career, was an unusual one in many ways. The markets were still accustomed to the low prices of previous years and had already been depressed by unusually large shipments from Michigan and Ohio before the Chautauqua-Erie crop began to move. The latter itself was by far the largest ever produced in the region up to that time, exceeding the bumper crop of 1896 by approximately 1000 cars and the crop of 1895 by more than 3000 cars. Furthermore, the grapes were slow in ripening in the early part of the season, resulting in an unprecedented congestion of shipments during the middle of October, when, to aggravate matters, there ensued a week or so of extremely hot weather. Lastly, at the very height of the congestion, when grapes were being rushed off the vines as fast as the growers could get them picked, there developed a serious shortage of baskets which compelled the shipment of many grapes in crates or any sort of containers that were available.

Charged with almost the entire responsibility of marketing such a tremendous production and under such unusually difficult conditions, the Chautauqua and Erie Grape Company was confronted with a task which strained its resources to the breaking point. Twenty-three salesmen were put on the road. During the twenty-six shipping days of October they disposed of an average of 130 cars a day. In a single week more than 1000 cars were shipped, and in one day at the height of the con-

gestion the company loaded a total of 218 cars of grapes. To clear the tracks of unsold grapes at times when it was being swamped by the deluge of fruit, the company was forced to send some on consignment; and between this and the fact that the warm weather had made the grapes over-ripe, there were eight cars that were a total loss. In spite of all handicaps, however, the management was able at the end of the year, after paying all expenses, to return to the contract growers a rebate of two mills a basket out of the charge of five mills which the company was allowed to retain.

The following season of 1898 was in many ways a repetition of the preceding one, and the company suffered accordingly. The Chautauqua-Erie crop was even larger than before, and because of unusual weather conditions it came into the market at practically the same time as the crops of the Michigan and Ohio districts. The competition that resulted once more demoralized the grape trade and prices fell to a low level. Another period of warm weather in the middle of the season again injured the shipping qualities of the fruit and resulted in some severe losses, once more discrediting the management of the association. Though a rebate was paid at the end of the season, it was smaller than in the preceding year.

With such a baptism of fire as the new and untried organization underwent in these two first years of operation, it is not surprising that such faults and weaknesses as it possessed should be thrown into glaring prominence. The outstanding fact, however, in the mind of the average grower, was that the confidently expected increase in the price of grapes had not been brought about by putting the marketing of the entire crop into the hands of a single company. Although some of the daily pool prices for each of the two years had been as high as eleven cents a basket, the great bulk of the grapes shipped had gone into the mid-season pools and had netted the grower little more, and some of them even less, than had been received in the season of 1896 when there had been no central organization. Sheer disappointment with such an outcome led many to refuse to renew their contracts at the end of the first year, while many more followed suit for the same reason at the close of the second year.

These defections were further stimulated by the fact that the few independent shippers who had remained in the field were in some cases able to show a higher average price received for the season than was the Chautauqua and Erie Grape Company. This, of course, was the same

condition of affairs as that which had aided in disrupting the previous belt-wide association, and was due to the same inherent disadvantage of the large marketing organization already discussed in connection with the latter. This difficulty might have been mitigated somewhat by more skillful management of the company, but it could hardly have been avoided entirely.

Lack of publicity and auditing.—Also, as in the case of the earlier belt-wide association, lack of adequate publicity in its affairs proved a serious hindrance to the success of the Chautauqua and Erie Grape Company. There was little effort to keep the growers informed of actual conditions in the markets during the shipping season, so that the low returns from some of the pools, when they were received, came as a most disagreeable and unexpected disappointment. The report of the financial transactions of the company as presented to the growers at the end of the first year was also incomplete and faulty, resulting in still further suspicion and misunderstanding. Expenses were not itemized. Instead there occurred the single statement, "General expenses of operation, \$40,264.82." The mere announcement of such a sum thus unexplained was sufficient to rouse, in the mind of the average grower, visions of mismanagement and chicanery which might have been avoided had the report been given in more detail.

The central committee abolished.—The feeling among the growers that the company was not well managed was deepened still further by rumors of friction between the board of directors and the central committee and of dissensions among the members of the committee itself. The latter was obviously too large a body to work together without some measure of jealousy and differences of opinion. Since each of the eight members were elected by some group of growers, they felt responsible only to the latter and so resented any interference from the board of directors or dictation from such of their own members as had been given the more important posts by the vote of the latter board. The result was a very serious diffusion of power and responsibility which not only lowered the efficiency of the company's management but also tended greatly to discredit it in the eyes of the growers. There was also much complaint among the latter that the salaries paid to the men on the committee were too high. Six of the members received \$1000 each, and the other two were paid \$800 each.

The general dissatisfaction with the central committee came to a climax during the second season of operation, and at the end of that year the directors in their annual report recommended that it be dispensed with altogether and that the task of selling the crop be placed in the hands of an executive committee of five, to be chosen from among their own number by the board of directors. By this time such a plan of reorganization found ample support among the growers and was accordingly effected. The men thus dismissed from the central committee, however, already well fortified with experience, immediately set up as independent shippers on their own account. Since each of them had some personal following among the growers, there resulted a considerable defection from the ranks of the organization.

Voting difficulties.—At the annual meeting of the company in which the action to do away with the central committee was taken, a determined effort was made by a considerable group of growers to have the entire control of the company placed in the hands of a single manager. This attempt did not succeed, however, but in voting on the proposition there developed one of the difficulties inherent in the stock plan of organization under which the company was organized and forced to operate.

As already indicated, a grape grower did not need to own any stock in the central company in order to become a member in good standing in one of the local branches and to vote in its meetings, the sole test of eligibility being the signing of a contract to ship his grapes through the organization. On the other hand, according to law, no one could vote in the annual meeting of the central company who did not own stock in the latter. In the particular annual meeting in question there were present a number of growers from the town of Westfield, where the meeting was held, who owned no stock in the central company but who had signed contracts and hence were members in good standing in the local town association. These men attempted to vote in the meeting. Had they been allowed to do so, the motion to place the management in the hands of a single manager would have carried. Their votes were thrown out, however, because according to law they had no right to vote unless they owned stock. This legal technicality was a difficult one for many of the men to understand, and as a result a great deal of bitterness and dissatisfaction was stirred up which tended still further to weaken the support of the organization.

Resumption of the Chautauqua Grape Company.— By this time it was clearly apparent that the company would be unable to secure enough contract growers to give it even approximate control of the crop for the ensuing season of 1899. Accordingly the Chautauqua Grape Company, of Brocton, which had agreed to suspend operations as long as any single organization controlling 75 per cent of the total grape acreage could be maintained, now announced its intention to reenter the field as a shipping agency. This was a serious blow to the belt-wide organization, inasmuch as it not only deprived the latter of the support of many growers, but also caused the withdrawal of several of its most capable leaders who had been officers of the suspended company and now resumed their former allegiance.

In spite of the great loss in support brought about in these various ways, it was finally decided to try to continue the Chautauqua and Erie Grape Company for one more season. Accordingly the company shipped grapes as usual during the fall of 1899. By the abolition of the central committee and the placing of the management in the hands of the directors, the expenses of the company had been considerably reduced. It became apparent at the close of the season, however, that the unit cost per car for handling the grapes was higher than ever because of the small volume of business done. The expected economy of operation, therefore, was not achieved, and it was not possible to return even as large a rebate to the growers as in the two preceding years. At the end of the year the directors voted to close up the affairs of the company. There still appeared to be a considerable sentiment in favor of its continuance, however, and so the action of the directors was finally reconsidered and the organization made preparations to ship the fourth year.

Decline in standards of packing.— For this fourth season, 1900, the company agreed for the first time to accept field-packed grapes. It was also made permissible for the grower to sell part of his grapes outside the organization if he saw fit. Furthermore, it was provided that each local manager should be paid by the central association, the amount to be determined by the quantity of grapes loaded under his direction. All three of these changes, as it turned out, worked to the detriment of the company. In the first place, the company became the dumping ground for the grapes when the markets were overstocked, while at other times it had difficulty in procuring enough fruit to fill its orders. More important still was

the discrediting of its brand in the markets through the shipment of inferior grapes. There was, in fact, a very general let-down in the standard of inspection, which was greatly aggravated by the plan of paying the local managers in proportion to the quantity of fruit they handled, since the temptation was strong for the latter to accept fruit below standard in order to swell their total.

This matter of the lowering of the standard of packing was the direct cause of the last important defection from the ranks of the belt-wide association. The growers in the Pennsylvania end of the belt insisted that they had maintained the old standard and as a result had been forced to pool their grapes with those of inferior quality, to their serious financial loss. Accordingly they refused outright to ship with the company the following year and withdrew in a body, forming a local association of their own which they named the Keystone Grape Company.

Thus it came about that in the season of 1901 the Chautauqua and Erie Grape Company reached its lowest ebb, shipping less than one-sixth of all the grapes sent out of the area during the season. Before beginning operations, however, it had made a strong effort to correct some of the evils that had been disclosed by the experiences of the preceding year. It declared its aim to be, "not to ship the largest possible number of cars, but to ship only first-class fruit and to solicit contracts only from those who would put up good stock." The local managers were hired at a fixed wage per day and nonresident inspectors were placed at each loading station. A lithographed label was adopted. As a result, possibly, of all these efforts, this fifth year of the company proved to be a fairly successful one. The more rigid inspection somewhat redeemed the company's reputation in the markets, and the returns to the growers were more satisfactory than they had been for some time.

Later history of the Chautauqua and Erie Grape Company.— In the following year, as indicated by the curve shown in figure 6 (page 53), the company regained some of the support which it had previously lost. Beginning with this season of 1902, the proportion of the total shipments which the company has handled has shown a slow but fairly regular increase up to the present time. In these latest fifteen years or so of its history there has been a notable absence of the serious dissensions which marked its early career. Also, further changes in its plan of organization and operation have been few. The number of directors has been decreased

in keeping with the withdrawal of support from some of the towns where it no longer operates, but there still remain six out of the original eight affiliated local associations.

In 1909 there was much difficulty in maintaining the standard of packing, and, for the season which followed, a system of field inspection in addition to that at the car door was tried; this was abandoned after the one year, however, because of its prohibitive expense. In the same year the company also returned to the practice of shipping only house-packed grapes, and lost some support in so doing on the part of some growers who preferred the field-pack method. More recently the company has once more begun to accept field-packed fruit. Its system of bookkeeping has gradually been perfected, so that the handling of the daily pooling plan, to which it has clung throughout its entire history, now gives little trouble; it has learned to give fuller publicity to its affairs by using the local papers; and, in general, it has been taught by experience to handle many difficulties that gave trouble in the earlier days.

The actual management of the company has gradually come to be placed almost entirely in the hands of one member of the executive committee, the financial secretary, a condition which has undoubtedly greatly improved its efficiency in these later years. At the present time, in spite of its greatly decreased scope as compared with its first few years of operation, it still remains the most important single shipping agency in the Chautauqua-Erie grape trade.

Decline in basket shipments.—There is one important change in the status of the company during its period of operation which deserves special mention. At the time when the organization was formed, the entire grape crop of the region was shipped to the city markets in Climax baskets. In its early years, therefore, the company was essentially a shipper of basket grapes, only a very small proportion of its total being marketed in crates or other bulk containers. As already indicated, this trade in basket grapes has shown a steady decline and has been replaced by an increasing shipment of grapes in bulk. A corresponding change has also taken place in the type of grapes handled by the company, so that at the present time more than 70 per cent of the business which it does is in bulk grapes. The extent of this change is shown in figure 4 (page 18) and in table 4:

TABLE 4. ANALYSIS OF BUSINESS DONE BY THE CHAUTAUQUA AND ERIE GRAPE COMPANY FROM 1901 TO 1918

Year	Number of cars of grapes shipped*	Total amount of money returned to growers†	Amount returned to growers for basket grapes	Per cent of total amount returned for basket grapes	Amount returned to growers for bulk grapes (including 20-pound baskets)	Per cent of total amount returned for bulk grapes
1901	1,037	\$341,286	\$301,427	88.3	\$39,858	11.7
1902	647	254,226	203,728	80.1	50,498	19.9
1903	449	228,777	183,401	80.2	45,329	19.8
1904	1,233	419,449	331,198	79.0	88,214	21.0
1905	970	371,383	293,871	79.1	77,501	20.9
1906	980	423,780	303,935	71.7	119,843	28.3
1907	869	444,527	295,019	66.4	149,503	33.6
1908	844	329,723	248,065	75.2	81,627	24.8
1909	1,728	543,618	345,203	63.5	198,401	36.5
1910	1,160	615,485	485,624	78.9	129,811	21.1
1911	1,625	464,280	259,160	55.8	205,104	44.2
1912	1,390	449,485	206,990	46.1	242,446	53.9
1913	406	218,040	100,865	46.3	117,129	53.7
1914	1,250	409,884	128,348	31.3	281,479	68.7
1915	1,718	585,275	182,471	31.2	402,774	68.8
1916	747	402,723	104,211	25.9	298,510	74.1
1917	794	498,103	91,951	18.5	406,140	81.5
1918	149	172,678	39,428	22.8	133,237	77.2

*The relation which these shipments bear to the total production of the belt and to the total number of car-lot shipments for each year is shown in figure 6 (page 53).

†Includes small amounts returned in some seasons for other fruits than grapes.

This alteration in the character of the shipments has tended to reduce in some measure the difficulties encountered by the organization, mainly through lessening the troublesome problem of inspection inherent in the handling of basket grapes.

Recent difficulties.—In spite of the fact that the company has thus been able to continue in operation with fair success for a considerable period, it is confronted at the present time by a situation which makes its position a very precarious one. This has come about as the result of a succession of exceedingly short grape crops during the last few years combined with the growth of the large demand for grapes on the part of the unfermented-grape-juice factories.

As already mentioned in connection with the discussion of the grape-juice industry itself, in some recent seasons such a large portion of the

crop has been used for making juice that very little fruit has remained available for shipment to outside markets. For the years 1901, 1902, and 1903, for example, the average shipment from the whole belt was 4394 cars, while for the period including 1916, 1917, and 1918, the average number of cars shipped was only 2105. As may be seen from figure 6, the Chautauqua and Erie Grape Company has continued to ship its full share of the grapes thus sent out of the region. But because the total shipments have declined, the actual number of cars handled by the company is much smaller than formerly.

According to the by-laws of the organization and the contracts that it makes with the growers, the company is allowed to retain a fee of one-fourth cent a basket for pony baskets, one-half cent for four-quart baskets, and not more than \$1.50 a ton for bulk grapes, which it ships for the growers. These retention fees proved entirely adequate to cover all operating expenses during the earlier years, and it was even possible in some seasons to rebate to the growers a part of these charges. With the marked decline in the number of cars handled, however, it has been found impossible to operate on so small a margin.

Another factor that has contributed to the difficulty of the present situation is found in the form of the contract between the grower and the company which has been used in the past. This stipulated that the grower should be allowed to sell grapes in the local markets, provided the same did not go to make up carload shipments to be sent out of the belt. This provision allowed him to sell to the local wine and juice companies without violating his agreement. Thus, with the growth of the grape-juice industry it has become increasingly difficult for the management of the company to predict at the beginning of the season just what volume of business it may be called on to handle, so that it is a hard problem to make intelligent and adequate provision for the year's operations.

These difficulties came to an acute focus during the season of 1918, when, with the shortest crop in decades, considerably more than half of all the grapes produced went into unfermented juice and the company shipped only 149 cars. It became apparent that unless it could secure a larger and steadier volume of business, the organization must either increase the retention fees, as some of the other shipping agencies had already done, or else go out of business.

The way out of the situation which was finally decided upon was to alter the contract made with the growers. The new form of agreement eliminates the clause allowing sales in the local markets and provides that all the Concord grapes raised by the grower are to be turned over to the company for sale. The latter retains the same fee as formerly, and is to sell the fruit both in the city markets and to the local wine and juice companies. The period of the contract is five years. Under this new arrangement it is hoped to secure a more stable and definite basis of operation for the company and to increase the volume of its business sufficiently to enable it to continue in operation.

All old contracts were called in and the new form was sent out to the growers during the winter of 1918-19. A circular letter was also sent out to the grape growers of the whole belt, explaining the situation of the company and the reasons for the change. The response of the growers to the new arrangement was sufficient so that at the present writing the directors of the association have voted to continue in operation, and in the season of 1919 the new plan will have its first trial.

Reasons for the decline of the Chautauqua and Erie Grape Company

The causes leading to the semi-failure of this ambitious attempt at cooperative marketing are many and varied. Only the more immediate and obvious of these have been noted in the foregoing outline of its history. The division of power between the board of directors and the central committee, the unwieldy size of the central committee itself, the cumbersome and roundabout methods adopted in order to insure a truly cooperative plan in spite of inadequate laws; the lack of publicity in its affairs — all these were sources of serious weakness in the organization, especially during its first few years of operation. Doubtless, too, some of the men chosen to positions of importance in the management were neither so wise nor so experienced as they might have been. Such difficulties as these may be attributed to merely human fallibility and lack of experience in planning and operating such a large-scale undertaking. There were other important factors entirely beyond the control of the company, however, which account in a very considerable degree for its fall from power.

Weather and industrial depression.—No organization, however perfect, can accomplish the impossible. It cannot prevent frosts, warm weather,

or country-wide industrial depression. By all these the marketing of the Concord grape is peculiarly affected. It should be remembered that this second belt-wide company was organized at the close of the most disastrous season which the grape trade has ever experienced, at a time of general depression in all lines of business when a semi-luxury such as grapes could hardly be disposed of at any price. Added to this came the great increase in the production of grapes and the unexpected deluge of fruit in the middle of each of the company's first two seasons, because of unusual periods of warm weather. Under the circumstances, the expectation of the grape growers that an association controlling the entire crop would be able to secure better prices was an unreasonable one. The withdrawal of support which followed when it was unable to produce the desired result was due in reality to conditions which even the most perfectly planned and managed of organizations would have had difficulty in meeting successfully.

Faulty as was the early plan of the Chautauqua and Erie Grape Company, it is quite possible that it might have continued in control of the grape situation for a much longer period had it not been confronted with such unusual difficulties at the very outset.

Character of the crop.— The experience of this second belt-wide organization demonstrated even more clearly than did that of the first large-scale attempt, that a considerable part of the difficulty in marketing grapes through a central association arises from the peculiar character of the fruit itself as a market product. The problem, in short, is far less simple than in the case of such fruits as apples or oranges, and the methods that have brought success in the handling of these products do not necessarily have the same result when applied to native grapes.

With some products it is possible for a large central association to standardize the methods of grading and packing and to deliver on the markets a uniform and dependable brand of goods. When this is the case, the large volume of the product which such an organization handles soon gives it a considerable advantage over any small shippers that are in the field. Dealers prefer to buy from the association because of the advertising value of its name and the dependability of its brand, and also because of the certainty that with its large volume of business it can be sure of filling orders on short notice. In the case of grapes, however, the peculiar difficulty encountered by the large association in maintaining a depend-

able standard of packing offsets in a marked degree the advantage which it gains through handling a large volume of fruit.

The plan of central packing, as already indicated, does not seem feasible on any large scale when applied to native grapes. As a result, the single shipper or the small organized group of shippers possesses a very real advantage over the large organization when it comes to putting out a dependable grade of fruit. This is because the grapes grown within a small area are more uniform and because of the mutual knowledge which is possible as to the actual vineyard conditions and methods of packing used on each farm.

The large belt-wide organization, on the other hand, must accept fruit from vineyards scattered over a wide area, with different soil conditions and different care in cultivation and picking, and from farmers having widely different ideas of what constitutes proper grading and packing. Mere inspection at the car door is entirely inadequate in detecting such variations as exist, and thus it is almost an impossibility for the large association to maintain the uniformity in packing which would make its brand sell the fruit in the markets to the best advantage. The pooling of such fruit also leads to serious difficulties. The grower who packs carefully is likely to become disgruntled and withdraw, rather than put his grapes into the same lot with those of some of his neighbors whom he knows to be careless, or else he himself will adopt the same careless tactics and thus bring about a steady lowering of the standard. The ever-present human failing of suspecting that the standards of packing are not being as strictly maintained at some other loading station as at one's own, is another element with which the large association has to contend in the case of a certain type of grower. In short, the larger the scope of the organization attempted, the more difficult does this problem of maintaining the standard of packing become.

Easing of the marketing situation.— Experience in many different fields has demonstrated that cooperative enterprise thrives best under the spur of necessity. With such stimulus removed, the strength of the movement seems usually to decline. So it has been with the Chautauqua and Erie Grape Company. It was formed at a crisis in the grape trade when it seemed to offer the only possible means of bettering an almost hopeless situation. In the years that followed there came about a very real lessening of the acuteness of the marketing situation confronting the grape growers. As

a result the function performed by the association became a much less vital one than formerly, and it suffered accordingly in its efforts to control the selling of the crop.

In this easing of the marketing problem which took place there were a number of contributing factors. First of all was the resumption of the demand for grapes in the markets, which took place as the country recovered from the period of industrial depression that existed when the company was formed. The steady growth of the trade in bulk grapes, already described in Part I of this memoir, was another factor that aided in simplifying the problem of disposing of the crop. Most important of all, however, was the development of a local market for grapes brought about through the rapid growth of the manufacture of unfermented grape juice and through the establishing at the local loading stations of the practice known as *cash buying*.

The commercial manufacture of unfermented juice in the region began at about the same time that the Chautauqua and Erie Grape Company was formed, and its history has thus paralleled that of the organization in point of time. The rapid rise of this industry and its important position as an outlet for the crop have already been described. The practice of cash buying was also introduced during the first season in which the belt-wide organization was in operation. The practical monopoly of the crop exercised by the company during this first season was, in fact, the cause that led to the introduction of the practice by independent shippers in an effort to combat the power of the organization. The continued effort of the company to do away with the consignment method of sale, and its ultimate success in establishing the f. o. b. sale as the accepted practice in the grape trade, also contributed toward making possible the continuance of cash buying.

In this method the buyer locates himself at the local loading station and offers the farmer the actual cash for his load of grapes as he drives up to the loading point. This type of buyer is usually the representative of some large city wholesale house, buying on orders from the latter, or he may be a sort of free lance who fills cars and sends them wherever the market may demand. The practice is now very common in the Chautauqua-Erie region, nearly every loading station having one or many of these buyers present, at least when the market demand for grapes is brisk. The obvious effect of this growth of the practice of cash buying,

combined with the demand from the local grape-juice companies, is to present a ready market for the grape grower at his very door, a condition which makes the position of a central marketing organization an especially difficult one so far as retaining its support is concerned.

Results accomplished by the Chautauqua and Erie Grape Company

Like the first belt-wide association, this second large-scale attempt at marketing performed its most valuable function in rescuing the grape trade of the region from the demoralized condition into which it had fallen through competitive selling on consignment by many small local shipping agencies. By its control of the major part of the crop during its first few years of operation, it was able to reestablish the f. o. b. method of sale, do away with many sharp practices that had grown up, and in general effect a wider and more uniform distribution of the fruit.

Even in its later years, when the power of the company had declined through loss of support, it still controlled enough of the total shipments to exercise a powerful stabilizing effect in the markets. Its daily price has been the guide for other shippers, while the potential effect of the existence of such an organization has tended to prevent the return to earlier practices in the trade which worked to the detriment of the growers. In some years when the crop of grapes has been unusually large or the markets unfavorable, the organization has proved itself a powerful aid to the industry in preventing the demoralization of the trade which threatened to occur under such conditions. At such times the small local type of association can do very little to aid the industry as a whole, because of the scanty market information which it has available and because of the lack of a sales force to open up new outlets for the fruit.

Finally, the Chautauqua and Erie Grape Company demonstrated that a large central organization of this type can market the fruit at a very low cost so long as it can control a large volume of the shipments. In spite of the inefficient and costly plan of operation adopted at the outset, the company was able to sell the grapes that it handled during the first season at a cost to the growers of only three mills a basket, and to rebate to the latter the remaining two mills out of the total fee which it was allowed to retain for its services. In the second season, when it still controlled about 58 per cent of the total crop, the rebate made was nearly as large. But in the seasons that followed, when the volume of fruit handled had

fallen off, the company was unable to achieve its earlier record of low unit cost of operation, even though its total expenses were reduced considerably by the reorganization of its plan of operation.

In spite of its failure along some lines, it may be fairly said that this company has accomplished much of what it set out to do, that it has served as a strong bulwark to the grape industry of the region throughout the whole period of its operation, and that many of the causes for its decline in power are the result of conditions over which it could have little control.

LOCAL ASSOCIATIONS NOW IN OPERATION

As indicated in the foregoing, a considerable part of the grape crop of the region is now sold to the local wine and grape-juice factories. The remainder finds its way to the city markets through a number of channels: through cash buyers at the local stations; through local brokers who charge a fixed fee per basket or per ton for their services; through the belt-wide company which still continues in operation; and lastly, through three local associations which operate in different parts of the belt. A few large growers attend to the selling of their own crop in the city markets.

The Chautauqua Grape Company

The Chautauqua Grape Company is the oldest of the local associations now in operation. Its beginning has already been described in connection with the discussion of the first belt-wide organization. Formed in 1895 when the latter association was disbanded, it was an effort to continue the scheme of belt-wide cooperation; but, failing to win the expected support, it reduced its capital to \$2000 and became a local shipping agency for the district around the village of Brocton. It suspended operations in 1897, pending the success of the second attempt at belt-wide cooperation, but resumed business again in 1899 after the second large organization had lost its control of the major part of the crop. Some time after 1900 the company again suspended, but in 1908 the stock was bought by about twenty-five growers at Brocton, a new set of by-laws was adopted, and the organization once more entered the field as a shipper of grapes.

This company handles only grapes grown by its stockholders, and charges a fixed fee per basket or per ton for its services. It is incorporated under

the Stock Corporations Act of New York State, but a provision in its by-laws limits the dividends paid on stock to six per cent. Any surplus remaining at the end of each season is to be rebated to the stockholders in proportion to the quantity of grapes which they have shipped through the association. The voting power of the members is kept equal by providing that each shall own the same number of shares. In 1916 the ten shares held by each of the different members were drawn in and a new issue of five shares each was made, in order to provide for the entrance of new members. The business done by the company amounts to about \$75,000 annually.

The Keystone Grape Company

The Keystone Grape Company is located at North East, Pennsylvania, in the western end of the grape belt. Incorporated in 1901 under Pennsylvania laws, it has no technically cooperative features such as limitation of dividends on stock, equalization of voting power, or provisions limiting the transfer of stock. In the main, however, the stock has remained in the hands of those who support the organization, though this has not always been the case. The authorized capital of the company is \$20,000, divided into 200 shares with a par value of \$100 a share. At the outset there were forty stockholders who subscribed for the entire amount, paying in on the stock \$10 a share. Such dividends as have subsequently been declared have not been paid out but have been credited toward the payment in full on the stock. In 1918 the book value of the shares had been increased by this method to \$75. In that year, in order to secure a larger working capital an assessment of 25 per cent on the par value of the stock was levied, making the shares fully paid up.

This company ships grapes for both stockholders and non-stockholders, charging the usual brokerage fee. In some years it has also bought grapes for cash in order to fill its orders. In addition it sells to the growers crates, baskets, spray materials, fertilizers, posts and stakes, and farm machinery. It also ships other fruit than grapes, such as peaches and berries. The gross business done in recent years amounts to about \$150,000 annually.

The South Shore Growers and Shippers Association

The third of the local associations now in operation, the South Shore Growers and Shippers Association, was organized in the eastern end of

the grape belt, at Silvercreek, New York, in 1911. It differs from all the other farmers' organizations which have been formed in the region, in that it was established originally not to market grapes but rather to combat certain local canning factories by finding an outside market for tomatoes and other vegetables and small fruits used for canning purposes by these companies. In its first two years of operation it handled no grapes at all. Many of its members were vineyard owners, however, so that in 1913 it loaded and shipped eight cars of the latter fruit in addition to its other activities. In the following season it shipped 125 cars of grapes; and since that time it has gone into the grape trade on a considerable scale.

The company was originally incorporated under New York State laws with a capital stock of \$5000, divided into 1000 shares with a par value of \$5 each. In 1917 a reorganization was effected in which the amount of stock was doubled, increasing the authorized capital to \$10,000. The plan of the organization is that of the ordinary stock company, and as such is open to all the difficulties already discussed in regard to voting privileges, dividends on stock, and withdrawal of support by stockholders, which have caused dissension in the case of previous associations in the region. These features so far, however, have given little trouble.

The business carried on by the company has two phases. It buys fertilizers, crates, baskets, seed, spray materials, and other needed supplies, and sells them at a low cost to its stockholders and to persons who have signed contracts to grow produce for shipment through the organization. On the other hand, the association acts as a selling agent for its stockholders and contract growers in disposing of a wide variety of products. Tomatoes and grapes constitute the bulk of its shipments, but it handles also considerable quantities of berries, potatoes, cherries, cabbages, peas, and apples. The volume of business resulting from these two main divisions of the company's activity is shown in table 5, wherein is also indicated the gross annual business done for the past seven years.

In spite of losses incurred in some years and a few internal dissensions, the continued growth of this company indicates that it has been considerably more successful than many of the others which have been formed in the region. One of the factors in this success has been the very adequate system of publicity. The company makes liberal use of the local papers

throughout the whole year in reporting any activities in which it is engaged, and also prints a detailed annual report which is furnished to each of the stockholders and contract growers.

TABLE 5. ANALYSIS OF BUSINESS DONE BY THE SOUTH SHORE GROWERS AND SHIPPERS ASSOCIATION FROM 1912 TO 1918

Year	Source of money received		Total volume of business	Total expense	Percentage cost of operation
	Sale of farm supplies	Sale of produce			
1912.....	\$14,983.30	\$100,928.13	\$115,911.43	\$2,957.44	2.5
1913.....	22,036.83	128,846.14	150,883.07	4,522.95	3.0
1914.....	43,038.11	190,773.12	233,811.23	7,491.73	3.2
1915.....	43,707.36	148,306.05	192,013.41	7,624.65	4.0
1916.....	28,045.03	173,165.85	201,210.88	8,940.83	4.4
1917.....	41,198.59	235,457.90	276,656.49	7,890.11	2.8
1918.....	37,176.15	209,682.95	246,859.10	6,551.47	2.6

The administration of the affairs of the company is vested in a board of eight directors, to whom power is given to amend the by-laws, provide such rules and regulations as are needed, and hire a manager. The actual running of the business is left largely in the hands of the latter, who is paid a salary of \$2000. For some of the products that it handles in small quantities the company does not make any contracts with the growers but accepts for shipment such amounts as are offered. With some other products, such as tomatoes, it makes contracts with various canning companies to deliver to the latter a certain quantity during the season. It then executes other contracts with its members and other growers whereby the latter agree to raise the required amount of tomatoes, or other crop, and sell the same through the association. The organization thus acts as a broker between the growers and the canning companies, and by its power has been able to secure more favorable terms for its members than were common in the past.

Difficulty of enforcing contracts.— It is in the matter of these contracts which the company makes that it has encountered its greatest difficulties. In some seasons it has been entirely unable to fulfill its own agreements with the canning companies. This has been due partly to actual crop failures in some years, but the main trouble comes from the fact that when

the price in the open market rises above the agreed contract price many of the growers violate their agreement with the company and sell through other channels.

The enforcement of such contracts between an association and its members is a problem that presents many difficulties. It has given trouble not only in the case of this particular organization but in many of the others already discussed. The first belt-wide association, for example, demonstrated that there were serious legal complications involved in attempting to insert in the contract a clause providing for the payment of a penalty in case of violation, such a feature marking the association as essentially a combination in restraint of trade and making it liable under both state and federal laws.

The Clayton amendment to the federal anti-trust laws, and the amendment to the Donnelly Act in New York State,¹⁰ have now somewhat mitigated the difficulties existing when the first belt-wide association was in operation. These changes in the laws allow a purely farmers' organization operating on the non-stock, non-profit plan to avoid the legal restrictions connected with such a penalty clause in its contracts. But none of the grape-marketing associations that have been organized since the passage of these amendments have operated under such a plan, and hence the situation has not been improved so far as they are concerned.

As a matter of fact, there are serious practical and sentimental difficulties in the way of enforcing contracts between an association and its members, whether or not there is any penalty clause involved. In the first place it is a very difficult matter to determine in court the actual damages sustained by the injured party through the violation of the contract. More important still is the objection to taking such a matter into court at all. By doing so the organization is likely to lose more than it gains by arousing the antagonism of the member who is being sued. It is seldom that sentiment among the other members is strong enough to support the management in attempting such a course. In the last analysis, therefore, contract arrangements are a weak basis for an association to place its sole dependence on. Its real strength, after all, must come from a feeling among its members that the organization is a necessity and must be supported, contracts or no contracts.

¹⁰Section 6 of the Clayton amendment, which is the essential part of the law in this connection, is reprinted in Appendix II of this memoir (page 93), together with the so-called Donnelly Act of New York State as amended in 1918.

Success of the local associations

The history of these three local associations has been fairly free from the dissensions that have marked the careers of the larger belt-wide organizations. Their problem of retaining the support of their members, however, is a simpler one, inasmuch as they extend their activities over only a small area. In each the actual management is left almost entirely in the hands of one man, and this has made for efficiency in operation. In the case of the grape trade, however, the weakness of the local plan of operation is brought out in seasons when there is an overproduction of fruit or when for some reason or other the markets become glutted. At such times the associations are not powerful enough to exert any great influence in aiding the industry as a whole during the emergency.

The greatest contribution which these present-day local associations have made to the marketing problem of the area is in pointing out the way in which the marketing of grapes may be combined with other business. One of the great disadvantages of the purely grape-marketing organizations has been the fact that they are in operation only for a scant three months or so in each year. During the remainder of the time the office force is dispersed, the sales force is disbanded, and the whole organization built up during the season is allowed to lapse. The Keystone Grape Company, and, more especially, the South Shore Growers and Shippers Association, have gained a considerable advantage by conducting a year-round business through the shipping of other products besides grapes and through selling supplies of various sorts. By this means a valuable character of permanency is given to their operations, the organization is kept more nearly intact and on a more efficient working basis, and poor returns on one phase of the business are often offset by gains on other operations. All this has worked to the advantage of these organizations. It would seem also that this plan of doing business is susceptible of even further development because of the wide variety of perishable products that are now raised in the region.

VARIOUS PROPOSED BELT-WIDE ORGANIZATIONS

In the foregoing pages no mention has been made of marketing organizations that have been proposed at one time or another but not actually put into operation. There have been many such plans. But the idea of achieving some kind of belt-wide cooperation has been especially per-

sistent. In fact there has hardly been a time during the whole history of the region when there was not some sort of agitation going on in favor of this type of combination.

Most of the plans proposed but not adopted have been similar in outline to those of the two belt-wide organizations that were actually launched. They are interesting mainly in showing the continued sentiment in favor of central marketing which has existed in spite of the failures that have occurred. There have been, however, two proposals of a different sort, which are worthy of special mention — the shippers' agreement of 1895, and the proposed grape exchange.

The shippers' agreement of 1895

The first of these, the shippers' agreement formulated in 1895, provided for a central organization whose function was not to actually sell the fruit, but rather to gather market information, declare a daily price at which its members should sell, report the number of cars loaded each day at the local stations and the destination of the same, and establish a black-list of wholesale dealers in the markets whom any member had found to be guilty of sharp practices. Any shipping agency, whether an individual or an association, which handled not less than fifteen cars a season could become a member of the central organization. The expenses of the latter were to be prorated among the members in proportion to the number of cars they shipped. A black-list was also to be established of all growers who violated contracts in which they agreed to ship their fruit with any member of the central organization.

This shippers' agreement, as it was called, was actually put in operation in a modified form during two or three seasons. But no penalty was provided for violations of the agreement by the members, and such violations were frequent. Also, some of the larger shippers refused to enter the arrangement, and so it was soon discontinued. The plan at best was questionable in that it ran the risk of conflict with state and federal laws as a combination in restraint of trade.

The proposed grape exchange

In the plan for a grape exchange it was proposed to form local associations throughout the belt, several in one town if desired, which could take any form their members wished so long as they were actually incor-

porated and had a recognized legal responsibility. Each local association was to subscribe to one share of stock in a central organization, and to bind itself by contract to turn over to the central association for sale all the grapes that it loaded at the local station. The central organization was to establish grades and standards of packing and attend to all matters concerning the sale of the fruit in the markets, charging a fixed fee for its services and rebating the remainder of the money collected to the local organizations in proportion to the volume of their shipments. It was planned also that the central organization should ultimately erect central packing houses and take over the whole work of packing and grading. This plan was proposed in 1910 and aroused much discussion throughout the belt. The actual work of organization, however, was never attempted.

SUMMARY

The experience of the Chautauqua-Erie grape belt with cooperative marketing may be summarized as follows:

Types of organizations formed

1. Two general kinds of marketing organizations have been tried in the region. One is the small local type of association, designed to handle the grapes of a limited number of growers located within a single compact shipping area. The other is the large central, or belt-wide, type of organization, whose aim has been to combine all the grape growers of the region and thus to control the marketing of the entire crop.

2. Able local leadership, greater uniformity in the character of the fruit raised within the small area, and the feeling of unity and community of interest among the members which results from personal contact, have been factors in keeping intact the membership of the small local type of association so that some of these organizations have continued in fairly successful operation for considerable periods. Their weakness has been their inability to aid the grape industry as a whole during periods of depression in the markets.

3. Many different plans have been proposed for combining all the growers in a single large belt-wide organization. Only two of these have been able to gain sufficient support to be actually put into operation. The two associations that resulted were launched during different periods of

depression in the grape industry. Each started at the outset with practically the entire grape acreage of the region pledged to its support. Neither of the two was able to retain this united support for more than a short time. Both may be said to have failed in achieving the complete control of the marketing situation, which was one of their main objects.

4. In spite of the incomplete success of the belt-wide associations, they have still been able to accomplish more permanent good for the grape industry as a whole than has the local type of organization.

Difficulties peculiar to the region

1. The geographical decentralization of the grape belt, covering as it does a long, narrow strip of territory with many different towns of almost equal importance in the grape trade, has made it difficult to combine all the growers in a single large organization, and is one of the reasons for the persistence of the small local type of association. Jealousies among the various towns, lack of acquaintance among the growers in different parts of the belt, and real or fancied variation in the quality of the fruit raised at different points, all have been factors in producing this result.

2. Nearness of the region to markets, good transportation facilities, and, in recent years, the presence of cash buyers, have made the marketing problem much less acute during normal seasons than it has been in certain more isolated fruit sections where cooperation has proved more successful. With the spur of necessity thus lacking, the grape growers have rendered only half-hearted support to the associations except during certain short periods of depression in the industry, such as occurred in the middle nineties.

3. The magnitude of the grape industry is one of the factors that have hindered the success of the associations attempting to control the marketing of the entire crop. The growers have been unwilling to centralize the management of such organizations in the hands of a few experienced men receiving adequate salaries. As a result they have been less efficiently operated than might otherwise have been the case. Leaders in the industry capable of directing such large-scale operations successfully have found it more profitable to set up in business for themselves.

4. The large local market furnished in recent years by the growth of the unfermented-grape-juice industry, combined with the extreme varia-

tions in the size of the grape crop produced from year to year, has seriously complicated the problem of an association designed solely to ship fruit out of the region. In some seasons the unit cost of operation for such an organization is very high because of the small volume of business available. This difficulty has led to the proposal that the associations be given control of fruit sold locally as well as that designed for shipment to the city markets.

Difficulties peculiar to the crop marketed

1. The perishable nature of the type of grapes grown in the region, and, especially, the way in which the rate of harvest is affected by weather conditions, make the problem of handling the fruit through any type of marketing association a difficult one. Such an organization is bound to accept fruit for shipment when it is offered, even though its facilities for disposing of the same be entirely overtaxed because of the large volume presented when periods of warm weather occur or there is fear of frost. At such times it is difficult for an association to escape without some heavy losses which tend to discredit it in the eyes of the growers.

2. The short shipping season for the fruit is one of the difficulties that have affected both the local associations and the larger belt-wide organizations. When only grapes are handled, there ensues a period of great activity during about three months of the year, while during the remainder of the year the organization is more or less allowed to lapse. This results in much lost motion and decreased efficiency. Two of the local associations now in operation have in some measure mitigated this difficulty by shipping other products besides grapes and by selling supplies of all sorts to their members.

3. One of the chief difficulties met with by the larger organizations has been the maintaining of a uniform and dependable standard of packing. This has given trouble also to the smaller associations, but, in general, the larger the organization, the more difficult the problem becomes. Central packing on any large scale does not seem feasible, and the practice in vogue of packing the grapes into Climax baskets on each individual farm makes adequate inspection and grading almost impossible.

4. The question of pooling the returns received from the sale of the fruit has been a constant source of trouble with all the associations. Growers in some localities contend that they use more care in packing, or raise a

better quality of grapes, than do the growers in some other places. They therefore object to pooling their fruit with the remainder of the belt when the large organizations have attempted to do this. When the pool is only for grapes raised within a small area, there are still some growers who object to thus averaging their returns with those of their neighbors. In general, however, the smaller the area involved, the less trouble there has been with the pooling question.

5. A variety of causes have operated together to decrease the value of the services that a large central shipping agency can render in the case of grapes as compared to other fruit such as apples or oranges. This is partly because the peculiar character of the grape makes the adoption of the central packing plan of doubtful practicability. Difficulties of inspection and of pooling are magnified in the case of the large organization. Finally, the large central association, if it attempts the actual selling of the major part of an erratic crop such as grapes, has certain inherent disadvantages compared to small independent shippers or even to small local associations. Its efforts in bringing about an even distribution of the fruit, preventing gluts, and stabilizing prices, benefit the industry as a whole. At times when weather conditions make it necessary to rush the fruit to market, it becomes the dumping ground for all the growers. At such times the independent shippers may simply refuse to receive any grapes for shipment, so that at the end of the season they are able to show a better average return than the organization, while the services of the latter during the emergency are soon forgotten. The temptation is strong for the average grower to let his neighbor support the organization while he reaps the more immediate gain which it makes possible.

Difficulties of organization

1. Lack of adequate capital has been a handicap suffered by nearly all the associations, both large and small.
2. Failure to give proper publicity to the affairs of the organizations has been a source of difficulty, especially in the case of the earlier associations. In more recent times this defect has been corrected by most of the companies.
3. Lack of proper auditing of the accounts has been a serious defect and has given rise to much dissension and suspicion which could have been lessened by having the books gone over by a certified public accountant.

4. The attempts to operate under the ordinary stock-company plan have nearly always resulted in serious troubles in regard to voting and sharing in profits. Efforts to avoid the difficulties inherent in the stock-company plan by provisions in the by-laws have resulted in making the operation of some of the associations unduly complicated and clumsy.

5. Lack of centralized responsibility in the management of the organizations has given rise to dissensions and difficulties and has decreased the efficiency of the companies. The small local associations have been better in this respect than have the large organizations. The one large company now in operation has profited by experience, and has gained by gradually centering its management in the hands of one man.

Legal difficulties encountered

1. Inadequate state laws existing at the time when the various associations were formed prevented the adoption of a simple and workable plan of operation embodying essential cooperative features. Attempts to insert such features in the by-laws of some of the organizations were of doubtful legal validity and tended to make the plan of operation a complicated one. The passage of recent laws in New York State has now made possible the adoption of a simple cooperative form.

2. The experience of the earlier associations demonstrated that the enforcement of a penalty clause in their contracts was not possible. Various forms of the penalty contract have been tried, but have been found to present serious objections in the way of attempted enforcement.

Gains from cooperative effort

1. Though most of the organizations formed have failed to achieve the complete success hoped for, and either have been disbanded or else have suffered a decline in power, nearly all of them have been able to accomplish some things that have proved of benefit to the grape industry as a whole.

2. In the early days of the industry the pioneer associations induced the railroads to put in adequate sidings for loading the fruit; they were instrumental in effecting better through-freight connections, thus decreasing losses in transit and making longer shipments possible; lastly, through the device of rebates from the railroads they brought about what to all intents and purposes was a lowering of the freight rates.

3. As the steadily increasing production of grapes in the region during the early nineties threatened to swamp the existing markets, the formation of the first belt-wide association made it possible to open up new markets and advertise the product of the district in a way that proved of great value.

4. One of the most valuable results attained by the belt-wide associations has been the correction of certain trade abuses and the bringing about of better methods of sale. Their virtual monopoly of the crop during their first year of operation in each case forced the abandonment of the method of shipping on consignment and established that of f. o. b. selling as the recognized practice in the grape trade. By placing their own representatives in the markets they were able to do away with many sharp practices that had grown up, while their controlling influence made it possible to develop greater uniformity in the methods of handling the crop.

5. The central selling plan when in use has had a powerful effect in stabilizing the market. Better and more even distribution of the fruit has resulted in a higher average price than would have been the case otherwise, thus benefiting the industry as a whole. In periods of over-production or general depression in the markets the activities of the associations have prevented much loss to the growers. Even after their membership has declined and they have no longer exercised any complete control of the crop, their potential power has had a steadying effect on prices and has prevented the return to earlier pernicious practices in the trade which worked to the detriment of the growers.

6. Both the central associations and the small local organizations have accomplished much in the way of educating the growers in market practices and in the proper handling of their fruit.

CONCLUSIONS

In spite of the incomplete success of most of the marketing organizations that have been formed in the Chautauqua-Erie region, the net result of these efforts has undoubtedly been to benefit the grape industry as a whole. At times of special crises in the grape trade, especially, experience has shown that the formation of a central belt-wide association has been an important factor in bringing about some measure of relief, and this in spite of the many defects and failures that have marked the history of this type of organization. The local associations also, during normal

years, have demonstrated their ability to aid the grape growers in many ways.

Defects of organization

Many of the difficulties encountered by the various associations, both large and small, are of such a nature that they could be mitigated or entirely overcome by careful planning of the details of operation and management of such an organization. Changes in various state and national laws also have made it possible at the present time to avoid some of the pitfalls met with by the earlier associations.

The securing of adequate capital, provision for centralized responsible management, and proper publicity and auditing of accounts, are all matters that can be achieved by a properly planned association and are factors that will greatly improve its efficiency and its chances of success. Difficulties in regard to voting and sharing in profits, which experience has shown to be an inherent weakness of the ordinary stock-company plan of operation, can now be avoided by incorporating under more recent laws which allow the business to be conducted on a simple and truly cooperative plan.

Lastly, specific legal sanction has now been given,¹¹ in New York State at least, to the insertion in the by-laws of an association organized under the Membership Corporations Law of 1913, of provisions which require the members to sell their product through the association, and, in case they fail to do so, to fix a sum which the organization is to receive as liquidated damages to reimburse itself for the loss of support by the member in question. This provision, in effect, makes legal the penalty clause which some of the earlier grape associations were unable to enforce. It therefore removes some, though not all, of the difficulties in enforcing contracts which have previously been a source of weakness.

Grading and pooling the fruit

Certain other difficulties that have confronted the associations in their attempts to market the grape crop are not so easily overcome by mere changes in their plan of organization. These are the problems peculiar to the handling of the fruit as a market product, chief among which are the questions of maintaining proper standards of packing and the pooling of the returns received.

¹¹Section 209-a of the Membership Corporations Law of New York State (reprinted in Appendix I, page 90). Also, section 340 of the General Business Law of New York State (reprinted in Appendix II, page 93)

The experience of the region with the various plans which have been tried seems to indicate that the least trouble of this sort is experienced when the unit of operation is small; when, for example, the area involved is the limited district adjacent to a single loading station, rather than the whole grape belt. Under such conditions it is easier to maintain a more dependable and uniform standard of packing, and, furthermore, there is less objection on the part of the growers to thus averaging their returns with their immediate neighbors.

This has been one of the advantages possessed by the small local type of association — an advantage, however, which has been more than counterbalanced by the disadvantages resulting from the small volume of produce which it handles. None of the belt-wide organizations have attempted any arrangement that would allow local pools. Under their plans of operation, in fact, there existed serious practical difficulties in the way of establishing any such method. A belt-wide association organized on a different plan, which would provide for a union of local associations of a semi-independent sort, is not an impossibility, however.

Such an arrangement would gain some of the demonstrated advantages of the small local type of organization, while at the same time retaining many of the benefits resulting from belt-wide cooperation. The nearest approach to such a plan as this which has so far been proposed was the shippers' agreement of 1895, mentioned on page 74. This particular scheme was loosely drawn and very faulty in some important details; but in the light of experience, it would seem that the general idea which it embodied is worthy of careful consideration should any further attempt at belt-wide cooperation be made in the region.

Short shipping season

The handicap suffered by an organization that attempts to market only grapes is a very real one, because of the shortness of the shipping season combined with the large volume of fruit that must be handled in so short a space of time. The experience of two of the local associations has indicated that the position of such a marketing organization can be greatly strengthened by handling other products and by selling farm supplies. The farming of the whole grape belt is now so diversified that this plan offers possibilities of further extension. Such an arrangement presents the prospect of a much more stable and permanent sort of organization than those formed in the past.

General aspects of the Chautauqua-Erie problem

The main concern of the grape growers at the present time seems to be to devise some means of recovering the trade in basket grapes. To do this apparently involves some form of concerted action. The experience of the past shows many ways in which improvement can be made in planning the details of a central marketing association. But in spite of any such changes that may be adopted, there remain certain inherent difficulties in the situation which should be recognized as important stumbling-blocks in the path of any such organization. The peculiar character of the grape as a fruit, the nearness of the region to markets, the relations with the local grape-juice factories, are all conditions that make the problem of a marketing organization an especially difficult one. Such difficulties cannot be entirely done away with. They can be counterbalanced only by unusually skillful management, and, above all, by strong and far-sighted loyalty on the part of the grape growers themselves.

APPENDIX I

NEW YORK STATE LAWS RELATING TO COOPERATIVE ORGANIZATIONS

Article 3 of the Business Corporations Law

(Chapter 4 of the Consolidated Laws)

Added by Chapter 454 of the Laws of 1913

ARTICLE 3

Co-OPERATIVE CORPORATIONS

- Section 25. Definition.
26. Incorporation.
27. Application of corporate law.
28. Directors; officers.
29. Amendment of certificate.
30. Stock and stockholders.
31. Written vote of stockholders.
32. Subscription of stock in other corporations.
33. Purchasing business of other corporations or persons.
34. Earnings; dividends.
35. Dissolution.
36. Annual report.
37. Existing co-operative corporations or associations.
38. Corporate name.

§ 25. **Definition.** For the purposes of this article, the words "corporation," "company," "association," "exchange," "society" or "union" shall be synonymous.

§ 26. **Incorporation.** Five or more persons may become a co-operative corporation, company, association, exchange, society or union for the purpose of conducting a general producing, manufacturing and merchandising business, on the co-operative plan as limited in this article, in articles of common use, including farm products, food supplies, farm machinery and supplies and articles of domestic and personal use, by making, signing, acknowledging and filing a certificate in the form and manner prescribed by article two of this chapter.

§ 27. **Application of corporate law.** The provisions of the business corporations law, the general corporation law and the stock corporation law shall apply to co-operative corporations formed under this article, except where such provisions are in conflict with this article.

§ 28. **Directors; officers.** Every such corporation shall be managed by a board of not less than five directors. The directors shall be elected by and from the stockholders at such time and for such term as the by-laws may prescribe, and shall hold office until their successors are elected, and shall enter upon the discharge of their duties. The officers of every such corporation shall be a president, one or more vice-presidents, a secretary and a treasurer, who shall be elected annually by the directors, and each of whom must be a director. The office of secretary and treasurer may be combined. A majority of the stockholders may, at any regular or special meeting, duly called, remove any director or officer for cause, and fill the vacancy.

§ 29. **Amendment of certificate.** The stockholders of any such corporation may, by a three-fourths vote, at any regular meeting, or at any special meeting called for that purpose on ten days' notice to the stockholders, amend its certificate of incorporation. The power to amend shall include the power to increase or diminish the amount of capital stock and the number of shares; but such amount shall not be diminished below the amount of paid-up capital at the time the amendment is adopted. The certificate of the action of such meeting shall be executed and filed in the manner prescribed by section sixty-four of the stock corporation law.

§ 30. **Stock and stockholders.** The capital stock of any such corporation shall be divided into shares of the par value of five dollars each. A stockholder in any such corporation shall not own shares of a greater aggregate par value than five thousand dollars, except as hereinafter provided. A stockholder shall be entitled to but one vote, without regard to the amount of stock held by him. Certificates of stock shall not be issued to any subscriber until fully paid, but the by-laws of the corporation may allow subscribers to vote as stockholders, if part of the stock subscribed for has been paid for in cash. No stock shall be transferred without the written consent of the corporation indorsed on the certificate of stock. The corporation shall have the first right to purchase at par any stock of a stockholder offered for transfer or the stock of any deceased or retiring stockholder, or of any stockholder who shall have purchased of or sold to the corporation goods of the value of less than one hundred dollars in any one corporation year.

§ 31. **Written vote of stockholders.** At any regularly called general or special meeting of the stockholders the written vote of an absent stockholder signed by him shall be received and counted, provided he shall have been previously notified, in writing, of the exact motion or resolution upon which such vote is taken and a copy of the same is forwarded with and attached to his written vote.

§ 32. **Subscription of stock in other corporations.** At any duly called regular or special meeting at which at least a majority of the stockholders may be present or represented a co-operative corporation may, by a majority vote of the stockholders present or represented, subscribe for shares and invest its reserve fund to an amount not to exceed twenty-five per centum of its capital, in the capital stock of any other co-operative corporation.

§ 33. **Purchasing business of other corporations or persons.** Whenever a co-operative corporation shall purchase the business of another corporation, person or persons, it may pay for the same wholly or partly by the issue of shares of its capital stock to an amount which at par value would equal the fair market value of the business so purchased; and the transfer to the corporation of such business at such valuation shall be equivalent to payment in cash for the shares of the stock so purchased. No such purchase shall be made until the proposal therefor shall have been submitted by the directors to a meeting of the stockholders, together with an itemized inventory of assets and liabilities of the vendor, including the value of the good will as a separate item, and such proposal shall have been ratified by a vote of at least two-thirds of the total number of stockholders. If the cash value of such purchased business exceed one thousand dollars, the directors may hold the shares in excess of one thousand dollars in trust for the vendor and dispose of the same to such persons, and within such times, as may be agreed upon, and pay the proceeds thereof as received from time to time to the former owner of such business.

§ 34. **Earnings; dividends.** The directors, subject to revision by the stockholders at any general or special meeting, shall apportion the net earnings by first paying dividends on the paid-up capital stock at a rate not exceeding six per centum per annum. They shall set aside not less than ten per centum of the net earnings for a reserve fund until the reserve fund shall equal thirty per centum of the paid-up capital stock. They shall also annually set aside five per centum of the net earnings for an educational fund to be used in teaching co-operation. The remainder of the net earnings shall be distributed by uniform dividend to members of the first class and members of the second class. Members of the first class shall include stockholders and employees. Members of the second class shall include non-stockholders who shall during any fiscal year do business with the corporation amounting to not less than one hundred dollars. Dividends shall be paid on purchases amounting

to one hundred dollars and over from or by members and on the amount earned by each employee during the fiscal year. Members of the first class and employees shall be entitled to dividends at double the rate of dividends to which members of the second class shall be entitled. Dividends to non-shareholders may be credited on account of such non-shareholders, in the purchase of capital stock of the corporation. In productive corporations, including creameries, canneries, elevators, factories, and the like, dividends shall be calculated on raw material delivered instead of on goods purchased. If the corporation be both a selling and a productive concern, the dividends may be on both raw material delivered and on goods purchased.

The net earnings of such corporation shall be distributed at such times as the by-laws shall prescribe, but such distribution shall be made at least once every twelve months.

§ 35. **Dissolution.** If any such corporation, for five consecutive years, shall fail to declare a dividend upon the shares of its paid-up capital stock, five or more stockholders may present a petition to the supreme court of a county in which the principal office of the corporation is situated, praying for its dissolution upon such ground. If upon the hearing the allegations of the petition are found to be true, the court may adjudge such corporation dissolved.

§ 36. **Annual report.** Every co-operative corporation shall, annually, on or before the thirty-first day of October, make a report to the secretary of state, containing the name of the corporation, its principal place of business, and generally a statement as to its business, showing the total amount of business transacted, the number of stockholders, the amount of capital stock subscribed for and paid in, the total expenses of operation, the amount of indebtedness or liabilities, and its profits and losses.

§ 37. **Existing co-operative corporations and associations.** An existing co-operative corporation, company or association heretofore organized and doing business in this state may file with the secretary of state a written certificate signed and sworn to by the president and secretary to the fact that such corporation has, by a majority vote of its stockholders, decided to accept the provisions of this article, and thereupon such corporation shall be deemed to have abandoned its certificate filed under any other law and be subject to the provisions of this article.

§ 38. **Corporate name.** No corporation shall be formed under this article unless there be affixed or prefixed to the name thereof, as required by section six of the general corporation law, such word or words or abbreviation as will indicate that it is a corporation as distinguished from a natural person, firm or copartnership. No corporation hereafter organized under any general law other than this article shall use the term "co-operative" or any other derivative of the term "co-operate" as part of its corporate name.

§ 3. This act shall take effect immediately.

Article 13=A of the Membership Corporations Law

(Chapter 35 of the Consolidated Laws)

Added by Chapter 655 of the Laws of 1918

ARTICLE 13-A

CO-OPERATIVE AGRICULTURAL, DAIRY OR HORTICULTURAL ASSOCIATIONS

- Section 198. Definitions.
- 199. Purpose for which associations may be formed.
 - 200. Certificate of incorporation.
 - 201. Amendment of certificate.
 - 202. Application of corporate law.
 - 203. First meeting; adoption of by-laws.
 - 204. Admission of members; forfeiture of membership.
 - 205. Certificate of membership.
 - 206. Voting by members.
 - 207. Responsibility of members.
 - 208. Association acting as agent for nonmember.
 - 209. Contracts and agreements.
 - 209-a. Members may be required to buy or sell through association.
 - 209-b. Directors.
 - 209-c. Removal of directors or officers.
 - 209-d. Officers.
 - 209-e. Working fund.
 - 209-f. Power to borrow money.
 - 209-g. Auditing committee.
 - 209-h. Voluntary dissolution.
 - 209-i. Corporate name.

§ 198. **Definitions.** As used in this article the term "association" means a corporation formed under this article; the term "member" means a member of such an association; the term "person" includes a person or partnership or two or more persons having a joint or common interest.

§ 199. **Purpose for which associations may be formed.** A co-operative agricultural, dairy or horticultural association may be created under this article as a membership corporation for mutual help, not having capital stock or conducted for profit, for the purpose of acting as the agent for its members or any of them, performing for them services connected with the production, manufacture, preservation, drying, canning, storing, handling, utilization, marketing or sale of agricultural, dairy or horticultural products produced by them, and for the agricultural, dairy or horticultural purposes of such members, or for performing for them services connected with the purchase or hiring for or use by them of supplies, including live stock, machinery and equipment, and the hiring of labor, or any one or more of the kinds of service specified in this section.

§ 200. **Certificate of incorporation.** Five or more persons may form an incorporated agricultural, dairy or horticultural association, by making, acknowledging and filing a certificate, citing this act as the authority pursuant to which and purposes for which it is made and stating the name of the association which shall include the words "co-operative" and "association"; the territory in which its operations are to be conducted; the town, village or city within the state in which its principal office is to be located; the number of its direc-

tors not less than five; the names and post-office addresses of the persons to be its directors until its first annual meeting; the times for holding its annual meeting; and the date of the commencement of its fiscal or business year. On filing such certificate in pursuance of law the signers thereof, their associates and successors, shall be a corporation in accordance with the provisions of such certificate.

§ 201. **Amendment of certificate.** The members of such association may, by the affirmative vote of two-thirds of all of the members, at any regular meeting, or at any special meeting called for that purpose on ten days' notice to the members, amend its certificate of incorporation, provided that the certificate as so amended shall be such as might have been originally made and filed under this article. A certificate of the action of such meeting signed and acknowledged by not less than three directors shall be filed in the office in which its original certificates of incorporation are filed.

§ 202. **Application of corporate law.** The provisions of the general corporation law and the membership corporations law shall apply to co-operative agricultural, dairy or horticultural associations formed under this article, except where such provisions are in conflict with this article.

§ 203. **First meeting; adoption of by-laws.** Within thirty days after incorporation a call, signed by not less than a majority of the directors, shall be issued for a meeting of the members, and at such meeting or at an adjourned meeting or meetings by-laws regulating the conduct and management of the association shall be adopted. Such by-laws shall not take effect until a copy thereof, certified by the president and secretary in the manner prescribed by the department of farms and markets, shall have been filed in the said department. Such by-laws shall within the limitations of this article prescribe:

1. The time, place and manner of calling or holding meetings;
2. The number and qualification of members, the conditions under which membership shall be granted and terminated, the issuance, transfer and cancellation of membership certificates, and the manner of ascertaining the interest of members, if any, in the assets of the association, provided that there shall be a specified period of not less than ten days in each year when any member may, subject to the liability then incurred by him as a member of such association, resign and withdraw from such association;
3. The time and manner of the election and removal of the directors, their powers and duties, the number not less than a majority, necessary to the exercise of their powers, and their compensation, if any;
4. The officers, their terms of office, the time and manner of their appointment and removal, their powers and duties and their compensation, if any;
5. The manner of fixing and collecting fees, dues and other assessments or charges for services to its members;
6. Any other provisions proper and necessary to carry out the purposes for which the association was formed.

§ 204. **Admission of members; forfeiture of membership.** Any such association may admit as members, under terms and conditions prescribed in its by-laws, persons engaged in agriculture, dairying or horticulture. Any person shall forfeit his membership upon proof being made to the association that he has ceased to be engaged in agriculture, dairying or horticulture. For the purposes of this article a member, other than an individual, shall be represented by an individual associate, officer or partner thereof, duly authorized. Such association may become a member of any other association formed under this article with such rights, powers and representation as may be prescribed in the by-laws.

§ 205. **Certificate of membership.** Every such association shall issue a certificate of membership to each member. Such certificate of membership shall not be transferable, and no person who may acquire same by operation of law, or otherwise than as may be prescribed in this article and the certificate of incorporation and by-laws of the association, shall be entitled to become a member by virtue of such certificate.

§ 206. **Voting by members.** Each member shall be entitled to one vote only, and no vote by proxy shall be permitted. Except in case of the removal of a director or officer, as provided in section two hundred and nine-b of this article, absent members may, under

rules prescribed in the by-laws, be permitted to vote on specific questions by ballots transmitted to the secretary, or other proper officer of the association, by registered mail, and such ballots to be counted only in the meeting at the time at which such vote is taken.

§ 207: Responsibility of members. Each member shall be responsible, as his original liability, for his per capita share of all contracts, debts and engagements of the association existing at the time he becomes a member and created during his membership; but if any member's share of such contracts, debts and engagements shall prove to be uncollectible, each remaining member shall be responsible, as his additional liability, for such unpaid share or part thereof to an amount equal to such remaining member's original liability or to such further amount as may be prescribed in the certificate of incorporation. No member shall be liable to the association for any contract, debt or engagement arising out of any specific transaction between the association and any member or members thereof in which he does not participate unless and until the association shall have exhausted every legal recourse and failed to enforce satisfaction from the member or members participating therein. In all cases any member who, voluntarily or otherwise, contributes to the payment of the debt or obligation of another member or other members shall have an action, several or joint as he may elect, against such defaulting member or members for reimbursement. Any association may, in its certificate of incorporation, limit the amount of indebtedness or obligation which may be incurred by or on behalf of the association, and no member shall be liable for any debt or obligation in excess of the terms of such limitations. Notwithstanding any other provision of this chapter any such association may, in its certificate of incorporation, limit the amount of indebtedness or obligation for which the individual members or directors shall individually, jointly or severally be liable; provided, however, that in any such case, each member and director shall be liable for debts due to laborers, servants and employees of said association in the same manner and to the same extent as stockholders of stock corporations under the provisions of section fifty-seven of the stock corporations law.

§ 208. Association acting as agent for nonmember. The association, as agent for a nonmember, may buy farm, orchard and dairy supplies for him and sell his agricultural, dairy or horticultural products, but in no case shall it charge a nonmember for such services more than the actual cost thereof, including the pro rata part of all overhead expenses. The term "nonmember" shall include associations, corporate or otherwise, of farmers, agriculturists or dairymen including livestock farmers and fruit growers engaged in making collective sales or marketing for its members or shareholders of farm, horticultural or dairy products produced by its members or shareholders.

§ 209. Contracts and agreements. Any such association may, upon resolution adopted by its board of directors, enter into all necessary and proper contracts and agreements, and make all necessary and proper stipulations, agreements, contracts and arrangements with any other co-operative corporation, association or associations formed under the provisions of this article for the co-operative and more economical carrying on of its business, or any part or parts thereof; or any two or more co-operative associations formed under the provisions of this article may upon resolutions adopted by their respective boards of directors for the purpose of more economically carrying on their respective businesses, by agreement between them unite in employing and using, or several such associations may separately employ and use, the same methods, means and agencies, which agencies may be another such association or associations, for carrying on and conducting their respective businesses. No contract or agreement authorized by this section shall be binding or effective until a copy thereof is filed with the department of farms and markets and, if the same relates to co-operative marketing, shall be sanctioned by such department.

§ 209-a. Members may be required to sell through association. The by-laws may require the members to sell all or any part of their specifically enumerated agricultural, dairy and horticultural products, exclusively through the association; but in such case, shall specify a reasonable period, in each year, during which any member, by giving to the association the notice prescribed in the by-laws, may withdraw and be released from his obligation to employ the services of the association in respect to such products and supplies. The

by-laws may fix as liquidated damages, specific, reasonable sums, in amounts fairly related to the actual damages ordinarily suffered in like circumstances, to be paid to the association, to reimburse it for any damage which it or the members may sustain by the failure of any member to perform any obligation to the association under the certificate of incorporation, the by-laws or any contract with the association, and any such provision shall be valid and enforceable in the courts of this state.

§ 209-b. Directors. The board of directors of every association shall consist of not less than five members, who shall be divided, as nearly equally as practicable, into three classes. At the first annual meeting of the association, a quorum as prescribed by the by-laws being present, the members shall elect from among themselves directors of the first class for a term of one year, directors of the second class for a term of two years, and directors of the third class for a term of three years. At the expiration of the terms of the directors so elected, their successors shall be elected and in like manner, for terms of three years. Directors shall hold office until their successors shall have been elected and qualified and shall enter upon the discharge of their duties. Vacancies shall be filled, for the unexpired terms, at any regular meeting, or at any special meeting called for the purpose, in the manner provided for the original election of directors. The board of directors shall manage the affairs of the association and shall perform the duties specifically imposed upon the board by this article.

§ 209-c. Removal of directors or officers. Any director or officer of an association may, at any regular meeting or at any special meeting called for the purpose, at which a majority of the members shall be present, be removed from office by vote of not less than two-thirds of the members present. Reasonable notice of the time, place, and object of any such meeting shall be given, in the manner prescribed in the by-laws, to the members, and to the director or officer against whom charges are to be presented. Such director or officer shall, at the same time, be informed in writing of such charges, and at such meeting shall have an opportunity to be heard in person, by counsel, and by witnesses, in regard thereto.

§ 209-d. Officers. The officers of every association shall include a president, vice-president, secretary, and treasurer, who shall be appointed annually by the board of directors. The president and vice-president shall be appointed from among the directors. The secretary and treasurer may be nonmembers. The offices of secretary and treasurer may be combined and one individual appointed thereto. Vacancies shall be filled for the unexpired terms by the board of directors in the manner provided for the original appointment of officers. The board of directors shall require the treasurer and all other officers, agents, and employees charged by the association with responsibility for the custody of any of its funds or property to give bond with sufficient security for the faithful performance of their duties as such.

§ 209-e. Working fund. An association may provide for the payment of expenses, necessary in the performance of its services to its members, by the creation of a working fund or otherwise, through fees, dues, assessments, or charges for the services, to be fixed and collected in such manner as may be prescribed in the by-laws. Such fees, dues, assessments or charges shall be limited to the amounts necessary to meet expenses already incurred, or reasonably estimated as essential to be incurred, by the association in conducting its operations. Whenever any association shall find that it has accumulated funds in excess of those necessary to meet expenses already incurred, or reasonably estimated as essential to be incurred by it in conducting its operations, it shall return such excess to, or deduct it from future fees, dues, assessments, or charges of the members who contributed to such excess, in the proportions of their respective contributions.

§ 209-f. Power to borrow money. Every association formed under this article may borrow money necessary for the conduct of its operations, and issue notes and bonds therefor, and give security in the form of mortgage or otherwise, for the repayment thereof.

§ 209-g. Auditing committee. Every association shall, from time to time, appoint a committee of three members, who shall not be directors, officers, agents, or employees of the association, which committee shall, at least once in each quarter of each fiscal or business year of such association, make an examination of its records and property and shall within one month after such examination report in writing the results thereof to the association.

Immediately after the close of each fiscal or business year of the association, a complete audit of its operations shall be made for the fiscal or business year. A written report of the audit, including statements of services rendered by the association, the balance sheet, receipts and disbursements, assets and liabilities, members admitted and withdrawn, total number of members, and other proper information, shall be submitted to the members at their next regular meeting. The association shall file a copy of the report of the audit with the secretary of state, within three months after the close of the fiscal or business year for which made and mail one copy to the United States department of agriculture. No person shall, without the consent of the association, except in obedience to judicial process, make or permit any disclosure whereby any information contained in said report may be identified as having been furnished by said association. Any person violating or failing to comply with the provisions of this section shall be deemed guilty of a misdemeanor.

§ 209-h. **Voluntary dissolution.** Any association may, at any regular meeting or at any special meeting called for the purpose, due notice of the time, place and object of which regular or special meeting shall have been given as prescribed in the by-laws, by vote of two-thirds of all of the members, discontinue its operations and settle its affairs. Thereupon, it shall designate a committee of three members who shall, on behalf of the association and within a time fixed in their designation or any extension thereof, liquidate its assets, pay its debts and expenses, and divide any surplus among the members as they may be entitled under the certificate of incorporation or by-laws. Upon final settlement by such committee, the association shall be deemed dissolved, and shall cease to exist under this article. The committee shall make a report in duplicate of the proceedings had under this section, which shall be signed by its members, shall be acknowledged by them before an officer duly authorized to administer oaths in this state, and shall be filed in the offices in which its certificate of incorporation is filed and recorded.

§ 209-i. **Corporate name.** No association shall be formed under this article unless there be affixed or prefixed to the name thereof, as required by section six of the general corporation law, such word or words or abbreviation as will indicate that it is a corporation as distinguished from a natural person, firm or copartnership. Except as authorized by article three of the business corporation law, and article nine of the insurance law, no individual or partnership, nor any corporation or association formed, otherwise than is provided in this article, shall adopt and use the word "co-operative" or any abbreviation or derivative thereof, as a part of the name or designation under which such individual, partnership, corporation or association shall do business in this state; but any association incorporated under this article may maintain an action in any court of this state of competent jurisdiction for an injunction against the use of such name. Any person violating any provision of this section shall be guilty of a misdemeanor, punishable by a fine of not more than five hundred dollars.

APPENDIX II

AMENDMENTS TO STATE AND FEDERAL ANTI-TRUST LAWS
WHICH AFFECT COOPERATIVE ASSOCIATIONS
ORGANIZED IN NEW YORK STATE

1. The Clayton Amendment to the Federal Law

Section 6 of the Clayton law (passed in 1914) provides:

That the labor of a human being is not a commodity or article of commerce. Nothing contained in the antitrust laws shall be construed to forbid the existence and operation of labor, agricultural, or horticultural organizations, instituted for the purposes of mutual help, and not having capital stock or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof; nor shall such organizations, or the members thereof, be held or construed to be illegal combinations or conspiracies in restraint of trade, under the antitrust laws.

It is thus apparent that in order for a cooperative association to gain the benefit of this amendment, the organization, among other things, must operate on a non-stock, non-profit plan. The first New York cooperative law, passed in 1913, offers no assistance in meeting these conditions implied in the federal law, inasmuch as it specifically provides for the capital-stock plan of operation. The second state cooperative law, added to the Membership Corporations Law as Article 13-A and passed in 1918, was urged mainly for the purpose of correcting this lack existing in the earlier law. As shown in Appendix I, this later law makes possible the formation of associations on a pure non-stock, non-profit plan.

2. The Donnelly Act of New York State

The New York State law forbidding combinations in restraint of trade, commonly called the Donnelly Act, was passed in 1899. In the Consolidated Laws of 1909 it is to be found as Section 340 of the General Business Law. It is given below as amended by Chapter 490 of the Laws of 1918. The amendment added at that time is here printed in italics.

Section 340. Contracts for monopoly illegal and void. Every contract, agreement, arrangement or combination whereby a monopoly in the manufacture, production or sale in this state of any article or commodity of common use is or may be created, established or maintained, or whereby competition in this state in the supply or price of any such article or commodity is or may be restrained or prevented, or whereby for the purpose of creating, establishing or maintaining a monopoly within this state of the manufacture,

production or sale of any such article or commodity, the free pursuit in this state of any lawful business, trade or occupation is or may be restricted or prevented, is hereby declared to be against public policy, illegal and void. *The provisions of this article shall not apply to co-operative associations, corporate or otherwise, of farmers, gardeners or dairymen, including live stock farmers and fruit growers, nor to contracts, agreements or arrangements made by such associations.*

Memoir 23, *The Inheritance of the Weak Awn in Certain Avena Crosses and Its Relation to Other Characters of the Oat Grain*, the fifth preceding number in this series of publications, was mailed on July 12, 1919.

